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This document traces the major trends in local, State, and Federal school finance programs during the past decade and assesses the current situation in the field. The document consists of excerpts from materials previously presented by the Committee of Educational Finance of the National Education Association. Areas discussed are (1) social forces significant for education, (2) proposed social responses to changing social needs, (3) ability to meet the rising cost of education, (4) necessity of new orientations in raising financial support, (5) the role of local government in school finance, (6) the role of State government in school finance, (7) the role of Federal government in school finance, (8) goals and guiding principles in State school finance, (9) financial needs of different types of school districts and new educational services, (10) complexity of designing future patterns of school finance, and (11) public relations and school finance. (TT)

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COMMITTEE ON EDUCATIONAL FINANCE

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Dimensions in School Finance

by
John K. Norton
compiler • editor

NATIONAL EDUCATION ASSOCIATION
COMMITTEE ON EDUCATIONAL FINANCE

NEA Committee on Educational Finance, 1965-66

BURLEY V. BECHDOLT, Chairman
Director of Research, Indiana State Teachers Association, Indianapolis, Indiana

WILLIAM D. FIRMAN
Director, Division of Evaluation, State Education Department, Albany, New York

ALLEN C. HARMAN
Superintendent, Montgomery County Schools, Norristown, Pennsylvania

JOHN P. HINDMAN
Classroom Teacher, 1128 Walnut Drive, Casa Grande, Arizona

ROBERT G. LINDSEY, JR.
Superintendent, Brooke County Schools, Wellsburg, West Virginia

National Education Association, 1965-66

RICHARD D. BATCHELDER, President

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HAZEL DAVIS, Director of Research Division

JEAN M. FLANIGAN, Assistant Director of Research Division and Staff Contact for the Committee on Educational Finance

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Dedicated to

FRANK W. HUBBARD

In grateful appreciation for his service to the Committee on Educational Finance from the beginning of the Committee in 1938 to August 1965, the date of his retirement from the Office of Assistant Executive Secretary for Information Services of the National Education Association.

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Foreword

IN 1938 the Committee on Tax Education and School Finance was established by the National Education Association. Later the name was changed to Committee on Educational Finance.

The Committee has carried on a broad range of activities bearing upon and directly related to the financing of public education in the United States. Among these activities are national conferences of leaders in public-school finance and related fields, the sponsoring of finance studies by educators, economists, and persons in other disciplines, and the provision of materials in response to needs in the field.

The Committee has given some attention to theory as it concerns the federal government and the financing of public education, but it has been concerned mainly with school finance at the local and state levels.

Its impact on public-school finance has been substantial. In 1964, Robert H. Wyatt, President of the National Education Association, speaking of the Committee's national conferences on school finance, expressed the appreciation of those in this field when he said: "During the last six or seven years the proceedings of these national conferences have won a high place in the current literature on educational finance."

This document reduces some 3,000 pages of material issued under the auspices of the Committee to these readings in educational finance. The objective has been to put the "heart" of the work of the Committee into a document which, in form and length, will be most useful to those concerned with public-school finance—college and university students, workers in the field, economists, and interested citizens.

The reports, studies, and other publications of the Committee have not been revised or rewritten. Rather, the procedure has been to select verbatim excerpts from the materials of the Committee which give the basic viewpoints, findings, and conclusions of the authors of the papers and documents which are cited. The objective has been to reveal the major trends in local and state school finance during the past decade and the current situation in this field.

To assist the reader, excerpts from Committee publications are in roman type, and introductory matter inserted by Dr. Norton, the compiler, are in italic type. Also, the items listed in the references at the ends of the chapters are given in the order in which they are mentioned.

Burley V. Bechdolt, Chairman
NEA Committee on Educational
Finance, 1965-66

I. Social Forces Significant for Education

The problems and needs of our complex and dynamic society are the sources from which education derives its goals and justifies its mounting financial support. This fact is clearly recognized by the Committee on Educational Finance of the National Education Association. Hence, it has continuously sought to identify the major social forces and demands to which education must promptly and effectively respond.

The following excerpts from materials of the Committee give examples of appraisals of the changing social scene which must be taken into account in shaping a system of public schools adequate to the demands being made upon them.

Appraisals of Social Forces

Citizens Groups' Appraisals of New Demands on Education

Citizen action has shaped public education more in the United States than in any other nation. This has been particularly true in recent years. Alert citizen groups have analyzed American society and pointed out the educational implications of powerful social forces. A report by the Committee issued in 1959 brought together the statements of a number of citizen groups as to the scope and quality of education demanded by present-day society. Illustrative excerpts (1:8, 9, 10, 20, 21, 24, 25, 60) from this report are given below.

From the work of the Committee for the White House Conference on Education, one fundamental fact emerges: schools now affect the welfare of the United States more than ever before in history, and this new importance of education has been dangerously underestimated for a long time.[1]

. . . . . .

The problem of its children's schools lies at the heart of a free society. None of man's public institutions has a deeper effect upon his conduct as a citizen, whether of the community, of the nation, or of the world.[2]

. . . . . .

No one denies that good schools are essential to the national welfare; the most important resource of the United States is its citizens—not its soil, minerals, climate, or extent of territory, important as these resources are.[3]

. . . . . .

This Nation has been propelled into a challenging new educational era since World War II by the convergence of powerful forces—an explosion of knowledge and population, a burst of technological and economic advance, the outbreak of ideological conflict and the uprooting of old political and cultural patterns on a worldwide scale, and an unparalleled demand by Americans for more and better education.

---

[1] Committee for the White House Conference on Education. *A Report to the President.* Washington, D. C.: Government Printing Office, April 1956. p. 4.

[2] National Citizens Commission for the Public Schools. *Financing Public Education in the Decade Ahead.* New York: the Commission, December 1954. 62 p.

[3] Commission on Intergovernmental Relations. *A Report to the President for Transmittal to the Congress.* Washington, D. C.: Government Printing Office, 1955. p. 194.

These forces have created enormously increased educational challenges of which we have not yet taken full stock. . . .[4]

. . . . . .

In the nineteenth century, Yankee mechanical ingenuity, building largely upon the basic discoveries of European scientists, could greatly advance the technical arts. Now the situation is different.

A nation which depends upon others for its new basic scientific knowledge will be slow in its industrial progress and weak in its competitive position in world trade.[15]

. . . . .

Ignorance is a far greater handicap to an individual than it was a generation ago, and an uneducated populace is a greater handicap to a nation. This trend is obviously going to continue and quicken.[20]

. . . . . .

An important . . . reason for the growing importance of education is the plain fact that the schools have become the chief instrument for keeping this Nation the fabled land of opportunity it started out to be.[21]

. . . .

On the basis of the findings of citizen groups illustrated above, the Committee on Educational Finance reached this conclusion:

Education has been of high importance to the well-being and progress of the United States in the past. Present conditions underline its growing importance. Our schools, colleges, and universities provide much of the specialized and advanced education to meet a mounting demand for highly trained manpower. Educational institutions are a principal source of the basic research which is the very stuff of survival and progress in this scientific age. Education is an essential ingredient of the increasingly productive economy upon which depend our high standard of living and national security. The schools are a primary source of an enlightened citizenry, qualified to deal with a growing range of complex domestic and foreign affairs. Our schools are a principal means whereby the ideal of equal opportunity is given reality in action.

In short, ours is the kind of civilization, and we live in the kind of world. which requires a lot of education—more in amount and better in quality for a rising number and percentage of our people. Our material well-being. our national security, and the further fulfillment of our democratic ideals require more and better education. Such are the considerations which emphasize the great and mounting importance of education in the United States.

Other Appraisals of Social Forces Affecting Education

Francis S. Chase (2) in 1959 identified a series of forces pointing to inevitable change in public education.

The first factor [is] the technological upheaval. . . . I want to mention only two aspects of that upheaval. One is that we are destroying occupations requiring a low level of literacy and skill and replacing them with an increasing number of jobs requiring a higher level of education, a greater capacity to use mathematics, to communicate effectively, and to exercise judgment. Who are the unemployables today? And what is this phenomenon of unemployment in the midst of prosperity? Where are the manpower shortages today? Is it not clear that the shortages are in those occupations requiring a high level education or of specialized training and skill? And is it not equally clear that unemployment exists chiefly in the occupations where men have been trained, if at all, to do a particular job and not very much more? To view the same phenomenon from a different angle, it may be said that our increasing productivity, which is a striking characteristic of our economy, is brought about by destroying low-skilled and unskilled jobs at the rate of something like 3 percent a year and replacing them with jobs requiring a higher level of education and skill. It does not require a prophet to foresee the cumulative effect of that process on the demands for education. Thus, whether improved education is viewed as cause or effect or both, it *is* an essential accompaniment of further gains.

---

[4] The President's Committee on Education Beyond the High School. *Second Report to the President.* Washington, D. C.: Government Printing Office, July 1957. p. 1.

[15] Bush, Vannevar. *Science—The Endless Frontier.* A Report to the President on a Program for Postwar Scientific Research. Washington, D. C.: Government Printing Office, 1945. p. 14.

[20] Committee for the White House Conference on Education, *op. cit.*, p. 4.

[21] *Ibid.*

Another technological kickback on education is traceable to modern transportation and communication which bring about a juxtaposition of cultures on a scale never before known. Changes in modes of life and thought have always followed a clash of cultures, producing new demands on education; but today, suddenly, all cultures of the whole world are thrown together. And the implications for education as yet are but dimly realized.

A second force, I think, is more important than the technological upheaval in its implications for education. This force is the astronomical expansion of human knowledge. In some ways, juxtaposition of cultures is part of that. It is now necessary for the educated American to know a great deal about non-Western cultures. When most of us went to school, a person had a fair title to being an educated man if he knew the great contributions to Western civilization. That simply is not true any more. It is not even safe any more for American citizens to indulge an ignorance of the cultures of other parts of the world.

The other phase of the expansion of knowledge is, of course, the advancement of science which led Robert Oppenheimer to say that most of what we now know was not in any books when many of us were going to school. Yet, what is being taught in schools continues to resemble by and large the knowledge of 1920 or even 1890.

The third force, and in my opinion the most important of the three, is simply the spreading aspirations of men. Take a good sharp look at the struggle over integration and you will see it as one result of a submerged group in our society at long last daring to aspire to full development of the potential of the individuals in it, and with an insistence no longer to be denied. We have come to the stage in this country when no group is so inarticulate or so oppressed that it does not share the common aspirations of which we have long been proud.

And if you will look at Asia, or Africa, or any of the other undeveloped parts of the world, you will find scarcely a village so remote or inhabitants so illiterate that they have not perceived the dream of men who stand on their feet and take their places in the society of man. This is a force pushing us all toward better education because there is no other way unless we are going to deny human aspirations. No thinking man is going to take that for his position.

John H. Fischer (3: 11-15), in 1963, writing about the imperatives and possibilities in tomorrow's schools stated:

Those who set the policies for schools, those who advise them, and the American people as a whole must now ask a more fundamental question than what we can do with what we happen to have at hand. We must ask . . . what demand the modern world imposes on the schools and what must be done to bring the schools abreast of those requirements.

. . . . . .

The most pervasive and powerful force now shaping our culture and therefore setting tasks for schools is the rising influence of science and technology. It dominates our lives in countless ways and must be considered in every decision that is made affecting schools. . . . But the interesting paradox is that while the rise of technology makes human muscle power less and less marketable, it sharply and steadily increases the demand for intellectual competence.

. . . . . .

In American industrial history, 1956 can be marked as a turning point. That was the year when, for the first time, white collar workers outnumbered the blue collar group. A hidden detail in this statement is the fact that white collar workers are women. . . .

Peter Drucker's apt sentence summarizes the prospect: "A society in which automation has become a governing concept of production and distribution is, of necessity, an 'educated society' . . . a society in which knowledge rather than man's animal energy is the central resource."[3]

The second major trend affecting education in this country is the concentration of people in the cities and their suburban satellites. Many years ago the city schools led the way, by precedence if not by foresight, toward the use of large buildings and the organization of bigger districts. . . .

But the early advantages of urban schools have largely disappeared, and new difficulties have rapidly appeared. Too little attention is being given to the peculiar problems of the city school. . . .

Closely related to the urban problem is the mobility of our population—a mobility that has too long been viewed as only geographic and economic. It is now clear that the social and cultural aspects of migration are more complex than physical relocation and much more difficult to deal with in the schools. . . . Housing culturally dislocated children calls for only land, money, and time—nothing new. Learning how to teach them well is another matter altogether.

Nor can we get much help from our experience with the children of the European immigrants who flooded the schools during the last half of the nineteenth century and the first quarter of the twentieth. . . .

The current arrivals in the cities have a different history and a different outlook. . . . In respect to its Negro citizens, the country faces the moral imperative to try to correct the scarring effects of cultural and social segregation. This must be a matter of national concern, but much of the work will have to be done in the cities and particularly in the schools of those cities.

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[3] Drucker, Peter. "Education in the New Technology." *Think Magazine* 28:2; June 1962. Reprinted by permission from THINK Magazine. Copyright 1962 by International Business Machines Corporation.

A fourth major current of change by which we must expect our life as a nation and the work of the schools to be influenced is the growing closeness of relations among the nations and peoples of the world. . . . The curricula of our schools will have to reflect our need to be reliably informed about the whole world.

We must, moreover, prepare ourselves and our children to participate intelligently and respectfully in the affairs of a close-knit world in which, as a race and as a cultural entity, white Americans are a minority. . . .

. . . . .

. . . Whether we look at the facts from the viewpoint of economics, politics, or simple morality, we must conclude that the present situation is intolerable. On the one hand, we cannot continue to allow millions of our children to suffer the appalling handicaps under which they are now growing up. On the other hand, we must find more effective ways to enable all our young people to reach the highest level of educational and personal growth and development of which they are capable.

. . . . .

INTERPRET VALUES IN CONTEXT OF TIMES

For too long now, we have been preoccupied with comparisons between our schools and the Russians'. We have better reasons for educating our own children than to practice one-up-manship with Comrade Khrushchev. . . .

There is happily no necessity for America to formulate a new system of values. We are the fortunate inheritors of a body of humane principles that has been carefully devised, hard-won, and staunchly defended. We have lived by them, albeit imperfectly, but well enough and long enough to have found them good and durable. . . .

The principles by which we ought to pattern our programs are profound, but they are not difficult to state. There is, first, the idea that all men are created equal and endowed by their Creator with certain unalienable rights. As we attempt now to construct educational institutions better suited to the work they must perform, we must recognize this principle as fundamental. . . .

. . . The achievement of genuine equality of educational opportunity for all our people must now be the basis on which all our further efforts are erected.

The second major principle to which we must address ourselves, a corollary of the first, is the proposition that every man should be free to achieve self-fulfillment. Although this proposition centers in the individual and the freedom of his mind, it produces consequences of vast importance to society. . . .

COMMITMENT TO VALUES

Turning now from the imperatives we cannot deny to the possibilities we might create, we must ask whether we mean seriously to commit ourselves to these values. If we do, we must go beyond mere lip-service and begin to work throughout the country for schools that are capable of liberating the human spirit, enlightening men's minds, and releasing their potentialities. The alternatives are to indoctrinate our children in prescribed, restrictive ways; or to condemn many of them to mediocrity and neglect.

Increasing and Changing Population

Population changes and trends have been rapidly identified as of great significance for a viable educational system. The 1961 Conference on Educational Finance was concerned largely with this factor. Excerpts from five addresses follow.

Implications of Population Changes for Education

Seymour L. Wolfbein (4) identified social and economic implications of our rapidly changing population.

From a social and economic point of view, population change has three major dimensions which present us in large part with some of the overridingly important issues of today and the immediate future: These are changes in sheer size, changes in composition, and changes in geographic distribution. These changes and these issues can be seen best through the people themselves—how they perform now, what their prognosis is for the future.

Five major population groups stand out as the main protagonists in this arena. How they fare in the current decade will be the prime determinant of social and economic progress in the United States. It is possible to gauge their performance from many points of view; but none is more critical than the relationship between education and employment for each one of these groups: the youth; the unskilled; the older worker; the Negro; and persons residing in depressed areas.

NET INCREASE IN LABOR FORCE

Everything remaining equal, an increasing population brings an increasing labor force or working population, and the 1960's are no exception. It is expected that the net increase in the labor force of the United States will be 13.5 million—the biggest upturn in the economically active sector of the population in this country's history.

Behind this large net increase stands an even bigger grand total of gross change which gives us a much clearer perception of the problems posed during the current decade. Here is the balance sheet for the 1960's:

		(Millions)
Number of workers in 1960...		73.6
Subtract:		
Withdrawals from the labor force because of death, retirement, marriage, childbearing, etc.	−15.5	
1960 workers still in labor force in 1970.............		58.1
Add:		
Young workers coming into the labor force during the 1960's................	26.0	
Women returning to the labor force during the 1960's................	3.0	
Number of workers in 1970...		87.1

This balance sheet speaks for itself, but one statistic deserves special emphasis: There will be 26 million new young workers entering the job market during this decade, as the record postwar baby crop becomes of labor market age. This is a figure unparalleled in our history, 40 percent above the 1950's.

INTERNAL COMPOSITION OF CHANGES:
AGE AND SEX

Numbers related to sheer size tell only part of the story. Just as important is the internal composition of these expected labor force changes. Here are our expectations for the current decade:

Expected Labor Force Changes, by Age and Sex, 1960–70

	In the labor force		*Change 1960–1970*	
	In 1960	In 1970	Number (in millions)	Percent
	(in millions)			
All persons 14 years and older	73,550	87,092	13,542	18.4
Males	49,971	57,443	7,472	15.0
14–24	8,963	13,121	4,158	46.4
25–34	10,913	12,173	1,260	11.5
35–44	11,367	10,999	−368	−3.2
45–54	9,681	10,725	1,044	10.8
55–64	6,484	7,721	1,237	19.1
65 and over	2,563	2,704	141	5.5
Females	23,579	26,649	6,070	25.7
14–24	4,822	7,046	2,224	46.1
25–34	4,364	4,905	541	12.4
35–44	5,268	5,470	202	3.8
45–54	5,141	6,555	1,414	27.5
55–64	3,031	4,313	1,282	42.3
65 and over	953	1,360	407	42.7

We will be using this table also as a reference point for our later discussion, but three major facets can be referred to at this point very briefly, which the table emphasizes again: the strategic role to be played by youth; the continued entry of women into the labor force; the actual *decrease* among men in the critically important working group 35-44 years of age. The juxtaposition of a tidal wave of new young workers and an actual diminution of workers in one of the prime age groups underscores the almost unique manpower posture we are facing into during the 1960's.

INTERNAL COMPOSITION: DEPLOYMENT OF WORKERS

How our working population deploys itself occupationally and industrially is also, of course, basic to the social and economic issues we will want to assess. Here it is important to know that, under the impact of tremendous increases in productivity and technological change, we are a country which actually has more persons employed in industries which produce services than in industries which produce the tangible goods we all need. Here is the latest industrial scorecard for the wage and salary workers in the United States (March 1961):

Goods-Producing Industries
(in millions)

Manufacturing	15.5
Construction	2.5
Mining	.6
Agriculture	5.0
	23.6

Service-Producing Industries
(in millions)

Transportation and public utilities	3.8
Trade	11.4
Finance, insurance	2.5
Service	6.6
Government	8.8
	33.1

By the same token, we now have more white-collar workers than blue-collar workers, and there is nothing in the offing which will change this major contour of our work force, as the following tabulation shows:

	1910	1959	1970
All workers	100%	100%	100%
White-collar	22	42	45
Professional and technical	5	11	13
Proprietary and managerial	7	11	11
Clerical and sales	10	20	21
Blue-collar	37	37	36
Skilled	12	13	13
Semiskilled	14	18	18
Unskilled	11	6	5
Service	10	12	13
Farm	31	9	6

FIVE POPULATION GROUPS

We have attempted to present a few of the major relevant trends in the first three sections; we now move on from this vantage point to the five population groups we mentioned at the start. Each presents a major social and economic issue today; each apparently will continue to do so in the years immediately ahead.

Youth—We have just completed the thirteenth consecutive quarter during which at least one out of every eight teen-age boys has been unemployed. The record for the teen-age girls is just about the same; their unemployment rates are at least double the national average. Somewhat higher unemployment among youth may be expected since they do move more extensively from one job to another and are at the beginning of their career development. But among them are the school drop-outs, whose unemployment experiences are very severe. All of this is made all the more serious, since we have already seen that this decade will bring an unparalleled 26 million new young workers into the job market—and if current levels prevail, 7.5 million of them will be drop-outs, without a high-school diploma and very ill-fitted for the job world ahead.

The problem of the drop-out is critical. The job structure, already oriented toward the professional, technical, and skilled trades, leaves a narrower band of employment opportunities for the youngster without adequate preparation. His unemployment rate is triple the national average; when he is employed, it is at the most menial and low-paying jobs.

Unskilled—For a long time now, the differential unemployment experience among the different skill groups in our working population has been very marked. Most severely affected have been the unskilled manual workers—not only under the impact of recessions, but also in terms of the long-range substantial and significant decline in the number of unskilled jobs. Today, one in every five of our unskilled workers is unemployed—a rate which is two-thirds higher than that for semi-skilled workers, 100 percent higher than that for the skilled craftsmen. There is nothing in the offing which can serve to alter these differentials, again especially in the light of our current and expected industrial and occupational structure.

Negroes—Negroes tend to have the least amount of educational attainment, are highly concentrated in the unskilled trades, and still, of course, experience a substantial amount of discrimination in employment. As a result, their unemployment rate is double that of their white colleagues; they account for about one out of every 10 workers, but two out of every 10 unemployed.

Older workers — Unemployment rates among persons 45 years of age and over have compared very favorably with those of other age groups during the postwar period, especially under the protection of seniority systems which prevail in a significant number of industrial sectors. However, the older worker is at a significant disadvantage when he loses his job; he has a much more difficult time getting re-employed. Right now 40 percent of men 45-64 years of age who are unemployed have been out of work continuously for 16 weeks or longer.

Depressed areas—Cutting across these groups is the changing geography of American industry which is leaving in its wake areas of substantial unemployment. Our most recent data (for March 1961) show that fully 101 out of the 150 major labor areas in the U.S. are now classified as "areas of substantial labor surplus." Another 184 smaller areas are in this category, too. Experiencing an unemployment rate of at least 6 percent, all of these depressed areas now account for more than 3 million, or about 55 percent of all the unemployed in the country.

PATHWAYS TO SOLUTIONS

These five groups represent some of the more intractable social and economic problems of today and the decade ahead. Leaders in education, as elsewhere, will find, more and more, *four major pathways* in the forefront of discussion as possible routes to be taken to arrive at solutions.

Education, training, skill development—My definition of education contains this dimension: "To help the person withstand the inevitable changes between what he learns and what will be expected of him throughout his life." This argues for viewing education and training as a development process which continues throughout the lifetime of an individual. It calls for the development of guidance and counseling at the elementary-school level; for more creative and meaningful curricula —especially for the manually talented —at the secondary-school level in order to increase the holding power of the schools; for the broadest kind of training to increase the flexibility, the adaptability of persons vis-a-vis the changing job world; for an organized, systematic program of supported retraining and re-skilling of unemployed workers to fit them for new, different employment opportunities. A good beginning toward this last point is contained in the Area Redevelopment Act.

End of discrimination—Vigorous action, on all fronts, is needed to end discriminatory education and employment practices against Negroes, older workers, and other sectors of our population. Given the challenge ahead of us, discriminatory practices add a dangerous dimension to our already grave domestic situation as well as to our posture in the international field. The current efforts in the field of government-related employment are indicative.

Mobility—As the 1960 Decennial Census returns come in, we are once again reminded of the substantial migration and mobility of our population. Just as much attention should be paid to the changing geography of industrial and business employment opportunities. The geography of our nation's employment has also changed. And mobility, in fact, is the traditional manner in which we have matched the changing location of our population and the changing location of our economic opportunity. Support will be asked to change the institutional forces which hinder mobility and on the positive side to take concrete steps toward increasing mobility wherever necessary—from steps toward vesting pension rights to the possibility of help in relocating unemployed persons to areas of economic opportunity.

Automation and technological development—Cutting across many, if not most, of our current and expected employment and unemployment problems is the factor of productivity. It is fundamental to our aspirations for higher economic growth. Yet increased productivity can and does have important effects on the displacement of workers. Not only government, but labor and management as well, have shown increasing concern with this problem. Studies made in the Department of Labor show that action has been taken in a number of instances which mitigated and even prevented the displacement effects of technological improvements. We need to focus, coordinate, and broaden our efforts in this field, as well as in the areas of education, full opportunity for all, and mobility. These are some of the major social and economic issues emerging from our rapid population changes in the 1960's.

Selma J. Mushkin (5:25-32) pointed out the following effects of population upon public finances.

Increases in population—growth in sheer numbers of people—contribute in only a minor way to changes in public spending and taxing. On the other hand, changes in the characteristics of the population contribute importantly to the shaping of public finances.

Public expenditures and tax loads have increased far more, proportionately, than population over the decades. . . .

The substantial price inflation from the period prior to World War I to the present and the enlarged scope of governmental activities, as well as population growth, contributed to expansion of the public sector of our economy. . . .

The essence of population pressures on public finances is not depicted by comparative statistics on population and public activities. Along with the growth in population, changes occur which markedly affect the way people live and their needs and standards for goods and services, both those provided publicly and those provided privately. The public services required by a population small in size and living and working the way rural people do are very different from those required by an enlarged population in a crowded metropolis. In a rural setting we dig our own well, put in our own septic tank, burn our trash, build and maintain our access road, have ample living space for older members of the family, and use our own shotgun for protection. We cannot do these things in a crowded city without creating a hazard for our neighbors or threatening the well-being of members of our own family. Public expenditures and taxes take the place of private efforts in many instances where there is a similarity of function. But in many ways new activities become necessary as a result of social and economic problems developing out of crowded living. Water and air, for example, once free goods, now have a price—the price of waste-treatment works and air- and water-pollution control measures.

Even our defense outlays are in some measure affected by the size of our population and that of our allies compared to those of the nations challenging us, for a realistic evaluation of our comparative military strength requires that through technology and alliances we compensate for our smaller population.

Broadly defined, the demographic developments that affect, and in turn are affected by, public policies are the following:

1. The rate of growth of the population in the dependent and in the productive age groups
2. The movements of population from rural to urban areas, from central city to suburbs, and from low-income areas to more affluent ones
3. The fluidity of the population in terms of occupation and income status.

Let us examine the impact on public finances of each of these three types of population changes: in composition, in geographic concentration, and in income characteristics.

COMPOSITION OF THE POPULATION

Children and the aged are two special population groups who are beneficiaries under important public programs. . . .

In the past decade, [1950-1960], the numbers of children and of the aged have been increasing far more rapidly than the population in the working ages. . . .

Events during the past few years strongly suggest further expansion of educational services to improve the quality of the teaching and of the product. We have made only a small beginning toward meeting the challenge and responsibilities imposed upon our teachers and our schools and colleges. . . .

GEOGRAPHIC CONCENTRATION OF THE POPULATION

The geography of the population growth has been as important a factor (if not more important) in shaping public finances as the comparatively high rates of growth in the dependent age groups. . . . In general, the population has moved from states with relatively low incomes to those with higher ones; from the states with low taxes and low levels of public expenditures to those with higher taxes and higher standards for highways, schools, hospitals, and local public services such as police and fire protection. These population shifts contributed to higher average levels of public services at the end of the decade of the fifties than at the beginning. People moved into states in which public expenditures were higher, and some of the poorer states with little or no population growth were able to improve their public services. Preliminary findings suggest that levels of public services were raised more in the poor states than in prosperous states confronted with the financing of public services for a rapidly growing population. . . .

Interstate population movements are overshadowed by the growth of metropolitan areas. Three major consequences of this metropolitan concentration of population may be identified for discussion.

First, advances in the range of public services and the size of public outlays have to be stepped up just to keep from falling behind. . . .

Secondly, the population concentration in metropolitan areas has put formidable pressure on the property tax as a source of local funds. . . .

The concentration of population in metropolitan areas has had a third most important influence, which dwarfs all others. It has sharpened the twin needs of planning ahead on a comprehensive basis for urban development and of developing an effective structure for government in these areas. . . .

Effective action is seriously handicapped by rural majorities in state legislatures. Cities are turning to the national government because of lack of adequate state support of metropolitan functions. More and more the national government is filling a vacuum created by state failure to perform in the interest of the majority of its citizens. . . .

INCOME CHARACTERISTICS

. . . the income characteristics of the population play a significant role in policies concerning both expenditures and taxes. Higher family incomes in a growing national economy raise the standards for public services, sharpen the contrasts between the average family and the poor, and increase the capacity to pay taxes. . . .

While there is a strong upward movement of family income, individual families find their status impaired by unemployment, disability, and death.

In 1961, Conrad Taeuber (6:10-18) traced population trends in the United

States and pointed out their implications for education.

. . . No state school system has escaped the consequences of the dramatic changes that have occurred in birth rates and the number of births. No school system can fail to be aware of the relentless movement of large cohorts of children into the older age groups, and the fact that the high schools and colleges have hardly begun to feel the pressures which have been so insistent on the grade schools in recent years.

For the high schools, and even more so for the colleges, there is the added factor that large proportions of larger numbers are calling for their services, and thus, the demand here is rising more rapidly than the numbers of the population alone would imply. Moreover, the continual redistribution of the population means that unusual demands are developing in some areas, while some other areas may be experiencing considerable difficulty in maintaining their facilities for a dwindling number of clients.

In some areas one population group has declined while another has increased, and the needs and demands have altered significantly. When people with school-age children move to another location, they cannot take their school facilities with them. But they do take with them a need for such facilities, and if they choose to move to a newly developing area, such as a suburban development, they may contribute to some very acute problems. . . .

GEOGRAPHIC DIFFERENCES IN GROWTH

. . . Two major trends stand out: the movement to the West and Southwest; and the movement to metropolitan areas, particularly their suburbs. . . .

GROWTH OF METROPOLITAN AREAS

One of the most significant changes in our patterns of living has been the concentration of people in cities. . . . By 1950 . . . only one-third of our population [was] living in rural areas, and that percentage went down still further between 1950 and 1960. The urban exceeds the rural population in 39 states. The preference is not only for urban areas, but for the larger urban areas. By 1960 nearly two-thirds of the population lived in what we call Standard Metropolitan Statistical Areas. In most states this term refers simply to the cities of 50,000 and over, the county in which they are located, and any adjoining county which is closely related to the central city.

Approximately 85 percent of the national growth in the last 10 years was in the SMSA's, and more than three-fourths of that was outside the central cities. The central cities themselves gained relatively little, and many of them showed some losses, including New York, Chicago, Philadelphia, and Detroit. These suburban areas, including satellite cities, increased their totals by nearly 50 percent over the 1950 totals. The SMSA's in the South and West grew more rapidly than those of the North and East. That nearly continuous block of metropolitan areas which extends from Boston to Washington grew by 16.5 percent and now includes about 17 percent of all the population of the United States.

. . . The urban aggregate tends to grow more rapidly at the periphery than in the central area, and as it spreads outward it sooner or later breaks out of the legal boundaries that were inherited from the past. . . .

Many of the community and governmental problems of the recent rapid population growth are the result of the preference which people have shown for living in the areas near our larger cities. But in many instances these areas did not have the governmental organization to cope with rapid increases in their numbers. The need for schools, hospitals, homes, churches, business establishments, roads, and many other facilities has been especially acute in these areas, for the migrants did not bring these facilities with them, but created an urgent demand for them as soon as they arrived. Often the areas from which they had come found it increasingly difficult to maintain these services for themselves, because the reduced population base meant fewer people to carry the load.

INCREASES AMONG THE VERY YOUNG AND THE OLDER POPULATION

The growth of the population was very unevenly spread over the country. It came about very unevenly in another sense. We increased most rapidly in our youngest and our oldest population groups. . . .

NEGROES

. . . In the last 10 years Negroes have increased slightly more rapidly than the total, and today they make up about 10.5 percent of all Americans. For many years they have been moving out of the South into the North and West. . . .

The movement was very largely a movement from rural areas to urban, and especially industrial areas—a part of the movement from the farm to other occupations. Over half the Negro population is now living in the metropolitan areas, and there they are primarily found in the central cities. In the Northern states, over nine-tenths of all Negroes live in the metropolitan areas, primarily in the central cities. . . .

Like most migrants, these were largely young adults. In the case of Mississippi, more than half of the teenage Negroes living in the state in 1950 had moved out of the state by 1960, and nearly 40 percent of the Negro men and women in their twenties who lived in the state in 1950 were no longer living there in 1960.

HOUSEHOLDS AND FAMILIES

Among the dramatic changes that have taken place within our lifetime, none is more remarkable than the change in regard to marriage and childbearing. . . .

. . . The bearing and raising of children occupies a shorter period of a woman's life than was formerly the case. By age 30, childbearing is virtually completed and the youngest children are entering school. . . .

Many of the women who have completed their responsibilities for the rearing of children have sought and found employment outside the home. Much of our increase in the number of women workers has come from this source. . . .

FUTURE GROWTH

. . . Predicting population growth is indeed a hazardous venture, since, under present conditions, the major variable is the birth rate—assuming that we can keep war or other major catastrophes out of the reckoning.

Our present birth rate of 24 per 1000 of the population is clearly controlled, in the sense that the great majority of the population in the childbearing ages are limiting the numbers of children below the biological limits. Under these conditions it is clear that birth rates could respond rather rapidly to changes in the economic and social climate, as indeed they have in recent years. . . .

But if it is not possible to forecast the future population growth, there is no such limitation on predicting the numbers of people who will reach certain significant ages in the future. Most of the 4.25 million children who were born in 1960 will live to reach their fifth birthday in 1965, their tenth in 1970, and their twentieth in 1980. The numbers at these future dates can be predicted with relative certainty, for death rates are relatively stable, and the likely declines can make little difference in the numbers who will survive to these key ages.

In the last five years the average annual number of youngsters reaching their fourteenth birthday (the beginning of high-school age) was 2.7 million. It will jump to 3.2 million in the years 1960-65. Between 1965 and 1970 this number goes up to 3.9 million, and in the first five years after 1970 it will exceed 4 million. These children are already here, and the only significant question we can ask about their numbers is where they will be—whether they will be even more concentrated in metropolitan areas than they are at the present time. . . .

. . . Migration generally is from areas of lesser to areas of greater opportunity. . . .

. . . There is some evidence to indicate that some of the streams of migration have tended to lower the educational levels of the areas from which the migrants came, as well as those to which they went. In other words, although the migrants tend to be better educated than the people they leave behind, their level may be lower than that which prevails in the areas to which they came. This aspect of our internal migration has had far less attention than it deserves, and the evidence is very incomplete at best.

LeRoy J. Peterson (7:35) in 1961 stated that "at a minimum we will probably spend more on education during the next 10 years than we have spent in the last 100 years." He based this prediction on the following brief summary of school and preschool age population in 1960.

1 We have more children of *school age* than we have ever had before in the history of the U.S.—an increase of over 13.5 million in the 5-19 age group from 1950 to 1960.

2. We have more children of *preschool* age than we have ever had—over 4 million more in 1960 than in 1950.

3. We have more pupils in school than ever before—nearly 15 million more in 1960 than in 1950 in public and private elementary and secondary schools and colleges.

4. The educational level, in terms of years of schooling completed, is the highest it has ever been—the average adult now has over 11 years of education. In the younger workers group, the average person is now a high-school graduate.

5. We now have a larger percent of relatively new school buildings than we have ever had in recent history—44 percent of our classrooms were built within the past ten years.

6. We are spending more money for education than we have ever spent up to this time. . . .

7. We have passed the point of "no return" in public education. There is no turning back. Our system of government, our economy, our position of world leadership, and our race for space are all dependent upon a broadly diffused high level of education.

John A. Gronouski (8:46) analyzed some effects of population structure.

During the past decade practically all state and local governments have shared the common problem of a rapidly expanding need for tax revenue. While the fiscal problem besetting the several states in part reflects inflation and demands for a higher standard of governmental service, the overriding factor is described by that somewhat hackneyed phrase, "population explosion." It is the structure of population growth—rather than population increase *per se*—that has created the problem.

In Wisconsin, which is typical of the national pattern in this respect, the 5-17 year-old age group has grown about 35 percent during the past decade, against an increase of only 5 percent in the 18-64 age bracket. Over the same period the over 65 age groups expanded in size by about 25 percent.

The implication is clear: rapid growth in the costly (to government) school-age population, and in the relatively costly over 65 age class, combined with a modest increase in the work-force age group, has meant an inevitable rise in the per capita tax burden on the latter. This is what has occurred and any realistic appraisal indicates that this imbalance in population growth will create continuing state and local fiscal problems during most of the present decade.

Population Profile of the States: 1960 and 1970 (Projected)

CEF Report, November 1961, No. 4 (9:12), provided a projected distribution of population by age group and by state, 1960 to 1970. See the table.

A Slowdown in Population Increase?

CEF Report, November 1962, No. 6 (10:14), gave major findings of a population study.

In his study on the historical analysis of fertility trends, Richard A. Easterlin[9] explores some of the underlying causes of long-term population trends in the United States and identifies the emerging labor supply conditions which suggest a downtrend in the fertility rate ahead. A few of the major findings of the study are summarized here:

- A long-term downtrend in total white fertility in the first three decades of this century was associated with decline of the fertility of foreign born and rural native components of the population. The fertility of the urban native population remained almost stable.
- Rural fertility fluctuated with farm income. The marked decline of rural fertility in the 20's and early 30's was in response to the down-turn in farm income. The baby boom in rural areas in the 40's is associated with farm prosperity during and following the Second World War. The farm fertility rate fell in the 1950's with the slump in farm income.
- The explanation of Postwar II baby boom lies in the urban native fertility change. This change in urban fertility has varied directly with the demand in the labor market and inversely with the unemployment rate. The prospect of entry into the labor market of an increasing number of young persons is considered unfavorable to the maintenance of a high rate of fertility among the urban population.
- The postwar baby boom in the United States was associated with exceptionally favorable income and employment conditions for young persons. The rapid movement of young people (better educated than

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[9] Easterlin, Richard A. "The American Baby Boom in Historical Perspective." *American Economic Review* 51: 869-911; December 1961.

POPULATION PROFILE OF THE STATES: 1960 AND 1970 (PROJECTED)
(Total population = 100%)

State	1960					1970				
	Under 5 years	5-17 years	18-21 years	22-65 years	65 years and over	Under 5 years	5-17 years	18-21 years	22-65 years	65 years and over
1	2	3	4	5	6	7	8	9	10	11
Alabama	12.0%	27.5%	5.6%	46.9%	8.0%	11.1%	25.2%	7.4%	47.4%	8.9%
Alaska	15.1	24.2	8.1	50.2	2.4	14.2	26.2	9.1	48.1	2.4
Arizona	12.8	26.9	5.4	47.9	6.9	14.1	25.2	7.3	46.2	7.2
Arkansas	10.9	26.5	5.3	46.4	10.9	10.4	23.4	7.1	45.9	13.2
California	11.1	23.6	5.1	51.4	8.8	11.5	26.5	7.3	46.7	8.0
Colorado	11.9	25.1	5.5	48.5	9.0	11.8	26.3	7.4	46.1	8.4
Connecticut	11.0	22.9	4.4	52.1	9.6	12.2	25.5	5.5	47.5	9.3
Delaware	12.4	24.1	4.9	50.6	8.0	12.3	26.3	6.5	47.9	7.0
District of Columbia	10.2	18.5	6.2	56.0	9.1	10.6	20.2	9.0	51.0	9.2
Florida	10.9	23.0	4.9	50.0	11.2	11.6	23.0	6.3	46.3	12.8
Georgia	12.0	26.91	5.9	47.8	7.4	11.0	25.3	8.0	48.0	7.7
Hawaii	12.8	26.8	6.9	48.9	4.6	12.4	26.1	8.6	48.2	4.7
Idaho	12.3	27.9	5.2	45.9	8.7	11.6	27.8	7.3	44.1	9.2
Illinois	11.2	22.9	4.8	51.4	9.7	12.3	24.8	6.3	46.9	9.7
Indiana	11.6	24.8	5.2	48.8	9.6	11.5	26.5	7.1	46.0	8.9
Iowa	11.1	24.6	4.9	47.3	11.8	10.7	25.7	6.7	44.6	12.3
Kansas	11.3	24.1	5.2	48.4	11.0	11.2	25.2	6.9	45.9	10.8
Kentucky	11.3	26.3	5.7	47.1	9.6	10.8	24.2	7.6	47.0	10.4
Louisiana	13.0	27.4	5.5	46.7	7.4	12.7	27.2	7.4	45.2	7.5
Maine	11.2	24.8	5.3	47.7	11.0	12.1	24.4	6.9	46.1	10.5
Maryland	11.8	24.8	5.1	51.0	7.3	12.9	26.6	6.6	46.9	7.0
Massachusetts	10.7	22.5	4.9	50.8	11.1	11.8	24.2	6.4	46.6	11.0
Michigan	12.4	25.4	4.8	49.2	8.2	12.1	27.5	6.2	45.8	8.4
Minnesota	12.2	25.4	4.9	47.1	10.4	12.4	26.9	6.6	43.3	10.8
Mississippi	12.9	28.7	6.0	43.8	8.7	12.2	26.7	7.9	43.5	9.7
Missouri	10.8	23.0	5.0	49.5	11.7	11.7	23.4	6.8	46.3	11.8
Montana	12.3	26.3	5.0	46.7	10.0	12.2	27.7	7.0	43.2	9.9
Nebraska	11.3	24.1	5.0	48.0	11.6	11.1	24.9	6.2	45.3	12.5
Nevada	11.6	23.3	5.0	53.7	6.4	11.7	24.7	7.3	51.3	5.0
New Hampshire	10.9	23.8	5.1	49.1	11.1	11.3	24.9	6.8	46.7	10.3
New Jersey	10.6	22.6	4.3	53.3	9.2	11.5	25.0	5.3	48.8	9.4
New Mexico	14.3	28.7	5.8	45.8	5.4	14.1	27.11	7.5	45.8	5.5
New York	10.1	21.7	4.5	53.6	10.1	10.8	23.6	5.7	49.3	10.6
North Carolina	11.6	27.4	6.3	47.9	6.8	10.7	25.0	8.3	48.5	7.5
North Dakota	12.6	27.2	5.3	45.6	9.3	11.8	26.8	6.6	44.7	10.1
Ohio	11.7	24.4	4.9	49.7	9.3	11.8	26.9	6.7	46.0	8.6
Oklahoma	10.4	24.6	5.4	48.9	10.7	10.0	22.5	7.3	48.4	11.8
Oregon	10.5	25.2	4.6	49.2	10.4	9.7	27.6	6.6	45.1	11.0
Pennsylvania	10.5	23.2	4.7	51.6	10.0	10.7	24.0	5.7	49.0	10.6
Rhode Island	10.4	22.3	5.7	51.2	10.4	10.9	24.0	7.3	47.0	10.8
South Carolina	12.4	29.3	6.6	45.4	6.3	11.6	26.6	9.3	45.9	6.6
South Dakota	12.2	26.3	5.1	45.9	10.5	11.6	27.0	6.4	43.1	11.9
Tennessee	11.0	25.8	5.8	48.7	8.7	10.1	24.2	7.7	48.6	9.4
Texas	12.13	25.9	5.6	48.6	7.8	12.0	26.0	7.1	46.7	8.2
Utah	14.2	28.7	6.0	44.4	6.7	13.2	28.6	8.3	43.2	6.7
Vermont	11.3	25.2	5.5	46.8	11.2	11.3	25.6	7.4	44.8	10.9
Virginia	11.5	25.4	6.2	49.6	7.3	11.0	24.9	8.1	48.7	7.3
Washington	11.1	24.9	5.0	49.2	9.8	10.6	27.8	6.5	45.5	9.6
West Virginia	10.5	27.2	5.2	47.8	9.3	9.8	25.1	6.3	48.1	10.7
Wisconsin	11.9	24.9	4.8	48.2	10.2	12.3	26.2	6.3	44.8	10.4
Wyoming	12.3	26.3	4.9	48.3	7.9	12.3	27.6	5.2	46.0	8.9

Source:

Computed from: National Education Association, Special Project on Financing Education in the 1960's. *Population Projections: 1960-1970.* Washington, D.C.: the Association, June 1961, 12 p. 50¢.

the older members of the labor force) to higher income occupations, expansion of veterans' benefits and unemployment compensation, and increased home ownership among young persons accounted for the improvement in economic conditions of the young segment of the family-building age group. The favorable employment conditions for young workers were stimulated, as never before, by a restrictive immigration policy. The flow of immigrants to the United States in past periods of high demand for labor acted as a buffer.

Easterlin's findings suggest a cycle—low fertility in one period leads to a favorable change in the labor market entry about two decades later and hence to a rise in the fertility rate. The high fertility rate of a former period leads to an unfavorable labor market entry condition for young workers and decline in the fertility rate.

Unique Commitments of Public Education in the United States

In addition to present-day social demands there are also time-honored American commitments of public education. George E. Watson (11:19-20) in 1960 dealt with a unique one.

IS FREE, UNIVERSAL EDUCATION STILL OUR GOAL?

. . . the one characteristic of American public education that distinguishes it from European education and at the same time makes a tremendous impact upon our standard of living and upon our business, our commerce, and our industry is its universality at both the elementary and the secondary level. Europe presumes to prepare an elite portion of its youth by a selective process beginning at age 11 or 12. While in America a great majority of our high-school age youth are in high school. . . .

. . . The issue is: Do we or do we not believe in this American pattern of free, universal education? Do we or do we not bend our efforts toward improving our accomplishments with each segment of this elementary- and secondary-age group? Do we or do we not devise new concepts and procedures to make schooling available, challenging, and worthwhile to all in these age groups? Do we believe in free universal elementary and secondary education or are we willing to give up this American dream? Let us keep the issue clear in this next decade. Let us not accept any fogging of the issue by any individual or group.

Arthur F. Corey (12:10-11) holds that the American dream of a society of free and equal men rests on the following postulates which find their verification not in reason alone, but also in faith. He cites a statement of the California Teachers Association.

> The Public School is the major agency by which society assures both its stability and its evolution. . . .
>
> The Public School is based upon a firm belief in the integrity and worth of the individual.
>
> The Public School is committed irrevocably to strive for equal educational opportunity for all.
>
> The Public School is dedicated to the ideal that human liberty is best guaranteed through representative government and democratic processes.
>
> The Public School is of itself a recognition that only an enlightened people may safely exercise liberty and wisely pursue happiness.
>
> In keeping with these principles it is the obligation of the free public school in America to provide for every person the educational opportunity which will enable him proudly to assume his responsibilities as an American citizen.[1]

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[1] California Teachers Association, Commission on Educational Policy. "We Hold These Truths . . ." *CTA Journal* 52:20-21; January 1956.

Senator Wayne Morse (13:23-24), dealing with American educational commitments, stated in 1964:

OUR FUTURE GOALS

In 1787, in a letter to James Madison, Jefferson said: "Above all things, I hope the education of the common people will be attended to; convinced that on their good senses we may rely with the most security for the preservation of a due degree of liberty."

These are wise words with present application. Thirty-five years will see us approach the end of the century. What must we do if we are to assure to the best of our ability that the patrimony we pass on to our children and to our grandchildren has under our stewardship increased in value, materially and, more importantly, spiritually?

The concept of equality which is enshrined in the great documents of our republic is being polished and burnished in the controversies in the courts, in the Congress, and to be frank, in the streets of our great cities. Surely the application of this concept to education can only mean that we must find the way to provide to each and every young American the education which will bring his unique God-given talents and abilities into full realization. We cannot afford and should not tolerate the waste of potential ability. The sole criterion for educational opportunity should be the ability to profit from it.

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3. Fischer, John H. "Tomorrow's Schools: Imperatives and Possibilities." *Long-Range Planning in School Finance.* Proceedings of the Sixth National School Finance Conference. 1963. p. 10-18.
4. Wolfbein, Seymour L. "Social and Economic Implications of Our Rapidly Changing Population." *Financing Education for Our Changing Population.* Proceedings of the Fourth National School Finance Conference. 1961. p. 20-24.
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9. *CEF Report,* November 1961, No. 4, p. 12.
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11. Watson, George E. "The Financial Implications of Educational Trends." *New Directions in Financing Public Schools.* Proceedings of the Third National School Finance Conference. 1960. p. 18-24.
12. Corey, Arthur F. "Issues and Trends in Public School Finance." *New Directions in Financing Education.* Proceedings of the Third National School Finance Conference. 1960. p. 10-17.
13. Morse, Wayne. "Federal Support for Education: Now and in the Future." *A Financial Program for Today's Schools.* Proceedings of the Seventh National Conference on School Finance. 1964. p. 17-24.

II. Proposed Educational Responses to Changing Social Needs

The materials of the Committee on Educational Finance include frequent analyses of imperative changes in the purposes, content, and structure of public education in the United States if it is to make essential responses to the social trends and forces identified in the previous section of these readings.

Analyses of Imperative Changes in Education

Statements from four sources are presented below. Francis S. Chase (1:10-16) forecast a number of needed educational changes in the following excerpts.

EXTENSION OF SCHOOLING?

There will be a continuing extension of the years of schooling, and it is bound to go in both directions. The number of kindergartens and nursery schools and the number of children in them are going to increase enormously. The more highly urbanized we become, the more we become aware of the great dangers to society of the cultural deprivation that takes place when a youngster who comes from a home having few, if any, books or other cultural resources is not reached by the schools until the age of six.

The extension of education upward is in progress, both in absolute numbers and in percentage of the population. I think we probably are not more than the lifetime of some of the older among us, such as myself, from the point when 50 percent of the population may receive education beyond high school. . . .

NEW TYPES OF INSTITUTIONS?

I foresee . . . the emergence of the community college as a capstone of public education and as a cultural center for communities, and a center for continuing education in nearly every community. . . .

Another development will be a further consolidation of small high schools into schools enrolling 400 or more. . . .

Not only is it going to be demonstrably more economical to provide education in the home communities for most students through two years of college, but also the establishment of community colleges will be seen as the best means of promoting the continuing education of persons of all ages so essential to effective living today and in the future.

EMPHASIS ON QUALITY?

. . . The point has been reached where some of us should be asking some hard questions such as: Excellence in what? For whom? And how? . . .

CURRICULUM REVISION?

. . . The need for revision of the sciences in my opinion is no more urgent than the need for revision of the social sciences or the cutting of the deadwood out of the humanities and replacing it by the most stimulating examples of the thought of man that can be found in the world's cultures. So, the effort at curriculum revision simply must move on and it must move on swiftly.

TEACHER QUALIFICATIONS?

. . . Teachers' qualifications, as I see them, are now being improved somewhat. We are getting somewhat better programs of preparation in a number of places. We are getting somewhat more meaningful standards applied by state departments of education, and the work of the National Commission on Teacher Education and Professional Standards and of other agencies has been very useful. . . .

. . . there are real possibilities in the organization of teams of teachers where the team has the responsibility for the total development of the group of children, but where there is differentiation of function and recognition of diversity of talent among teachers as well as among pupils. . . .

DIRECTION OF FEDERAL SUPPORT

. . . the share of federal government support will increase, and ought to increase, and must increase, . . . also . . . we will finally get rid of the silly myth that there is some inherent danger in funds coming from the federal government but that such danger does not pertain to funds coming from other sources.

. . . . .

The whole direction of the economy and the national need for education are going to require, if we are at all wise, that we allocate to the federal government at least a quarter of the support needed for education from the lowest entering age probably through graduate school. . . .

TYPE OF ADMINISTRATION

. . . I see a decentralization of the operation of schools and instruction to the point where the school really is the primary unit.

If you look through this country at the really good schools, public or private—the ones that stand out—or go to any other country and look at the really good schools, you will find that they are all schools that for one reason or another enjoy an unusual amount of autonomy. They are all schools where the principal and the teachers feel that *theirs* is the responsibility for meeting the needs of the population served and where they are thrown on their mettle to find ingenious ways of meeting those needs.

We may still have to have our large units for certain centralized functions such as tax collection, allocation of funds, accounting, and sometimes purchasing. (But the gains from centralized purchasing can be grossly exaggerated and often not realized.) I am not against some of those functions being centralized, but what I am against being centralized is the development of learning experiences.

If we are to have the community colleges of which we spoke, they *must* be autonomous institutions. They *must not* be under a heavy layer of bureaucracy—a local bureaucracy can be just as deadening as a federal bureaucracy. And I would carry this decentralization further. Within a school, the faculty should be organized in series of teams or task forces with major responsibility for specified teaching tasks so that it is not necessary to build up a big administrative hierarchy within the school.

John H. Fischer (2:16-17) stated what was needed to translate social demand into educational action.

Let us . . . assume that we recognize the imperatives that technology, urbanism, mobility, and the international situation impose upon society and upon the school. . . . What else is required?

First, we must be willing to accept higher educational goals for the country as a whole and to take the steps necessary to extend at least minimally adequate opportunities throughout every state. We are far from these goals now. . . .

Second, we must proceed systematically and resolutely to identify the gaps in our present knowledge of learning and teaching. We must be willing to risk every one of the assumptions and dogmas about techniques and institutional arrangements to which we have become intellectually and emotionally attached. To bring the level of education up to the needs of today's world, we must be ready to abandon established procedures whenever they are shown to be outmoded. . . .

Third, in order to translate into reality the things we have been talking about, we must be prepared to appraise their cost not merely in dollars and tax rates, but in terms of the values by which we mean to govern ourselves and advance our society. We must learn to look upon the financial support of education not as a consumable expenditure, but as the prudent, systematic investment of a share of our productivity in our future strength and well-being. . . . The most important consequences of education and the strongest justifications for investing in it are related not to the magnitude of our gross national product, but to the quality of our people and the character of our nation.

A study of the Committee on Educational Finance (3:22) in 1960 identified the following unmet educational needs.

1. Recognition of teaching as a major profession in training required, ethical standards maintained, responsibility carried, performance expected, and compensation paid.

2. Curriculum specialists and research workers to aid in developing curriculums to meet the demands of today and the needs of a school population varying widely in aptitude and life objectives.

3. Funds to provide for the particular needs of slow learners, the physically handicapped, the academically talented, and other special groups.

4. Enough school buildings, including libraries, science laboratories, gymnasiums, and auditoriums, to house all pupils under conditions which are conducive to high educational performance.

5. Funds to lift the financing of thousands of school districts to an adequate level of support and performance.

6. Wider provision of kindergartens and other educational provisions for young children.

7. Trained educational and vocational counselors for pupils at all grade levels.

8. Courses in physics, chemistry, and other sciences and advanced courses in mathematics and foreign languages in high schools which do not have them now.

9. Community colleges and technical institutes in all states.

10. Scholarships and other financial provisions so that no able and willing youth will be prevented from securing the education he should have.

11. Recognition of the school superintendency as on a par with other top executive positions in public and private service.

12. Federal support for education to supplement what the states and localities can provide so that the overdue "break-through" in financing our schools may be achieved.

Paul J. Strayer (4:6-8), an economist, in 1958 gave his views as to needed educational changes.

. . . higher level of education is required by modern production methods. The unskilled worker is being replaced by automatic machinery. Even on the farm there is no longer a place for the man with a strong back and no imagination. The farmer must now be a combination of engineer and businessman. The growth in the number of skilled workers is reflected in the decline in the number of unskilled workers [and] the percentage of professional and managerial persons [has] increased. . . . The wealthy states have . . . great . . . interest in the educational levels achieved in the poorer states. A large percentage of their work force will come from the poorer states. The interest of the poorer states is equally compelling. By raising their educational standards, they may hope to achieve the status of their more opulent neighbors. The migration of thousands of individuals to California is a good example of needs suggested above. But in all industrial states there should be real interest in the education the migrant has received before he moves to his new place of work.

. . . the need for more educated people expands continuously as the complexity of the economic, the technical, and the political system grows apace. What was once a reasonably good education no longer proves to be satisfactory. If we are to solve the problems associated with our social and economic development in the future, we must have many more persons with a highly developed understanding of our society. The limiting factor in many enterprises today is not lack of capital, but rather the lack of managers, skilled workers capable of running the increasingly complex machinery, and technical personnel necessary to develop and adapt the equipment of the plant to make the greatest use of modern developments.

The Cost-Quality Relation in Education

Throughout the materials of the Committee on Educational Finance one finds statements that the quality of education must be vastly improved if it is to meet the new demands of a dynamic society. Those who dealt with this question were concerned with both the definition of quality in education and the cost-quality relationship.

Does Better Education Cost More?

A special study (5:7-44) prepared for the Committee by John K. Norton dealt with the foregoing question. Excerpts follow.

. . . Stated briefly, the question being asked in many communities and states is: What would we have to spend to obtain high-quality schools?

OPINIONS DIFFER

There is no lack of opinion on this question. The trouble, however, is that opinions differ sharply. . . .

Is there no better way to deal with the relation of educational quality to expenditure level than merely to add to the discordant opinions on this matter? . . . *There is a better way.*

Those who would take this better way, however, must leave the winding path of folklore, opinion, and prejudice and take the straight highway of research, fact, and the open mind. The building of this highway began in 1920 when Leonard P. Ayres sought a factual answer to the question: Does more money buy better schools? Since then, hundreds of investigators have asked this question in various forms and have sought objective answers to it. . . .

COST-QUALITY RELATIONSHIP IS NOT A SIMPLE QUESTION

The question of the cost-quality relationship in education involves the issue of what is quality education. Most people want to step up the quality of education in the United States, but they vigorously disagree on what quality education is and how it may be achieved. To get quality education, however, we must not only want it, but we must also know what we mean by quality education. . . .

QUALITY AS TEACHING PERSONNEL, FACILITIES, AND AMOUNT OF SCHOOLING

Some research studies have defined school quality in such terms as type and number of teachers employed, adequacy of instructional materials, and amount of schooling provided. . . .

QUALITY AS SCORES ON ACHIEVEMENT TESTS

A second group of investigators has measured the extent to which level of school expenditure and scores on pupil achievement tests are related. . . .

QUALITY AS EMPHASIS ON FUNDAMENTAL OBJECTIVES AND SOUND PROCEDURES

. . . . . .

This third type of study assumes that to test the inner essence of educational quality one must go into a school system and carefully observe what is going on there. What are the purposes of the school program? What are the teachers teaching, and how are they teaching it? What attention is being given to individual pupils, from the brightest to the most handicapped, and those in between? Is the environment of the school system and of the classrooms conducive to optimum learning? Are such fundamental ends as the development of individual pupil initiative and the ability to think, consciously and effectively being pursued?

. . . . . .

OTHER CONSIDERATIONS AFFECTING COST-QUALITY RELATIONSHIP IN EDUCATION

In dealing with the complex matter of the relationship between school quality and school expenditure, related issues arise. Is there a point of diminishing educational returns as cost level is increased? What is the quality effect of the level of expenditure for certain small-expense items in a school budget? What is the relation of school quality to high or low school expenditure over a period of years? Do people in states of high school expenditure rank higher in educational achievement and in earning capacity than those in low-expenditures states? . . .

COMPLICATING FACTORS ON THE SIDE OF COST

There are also certain complicating factors on the expenditure side when the cost-quality relationship in education is objectively studied.

One-room schools—In sparsely settled areas most schools may be in one-room buildings and enroll only 10-20 pupils—some even fewer. This runs up per-pupil costs since at least one teacher has to be employed for each school. If the teacher is paid a reasonable wage, the cost per pupil is high, largely as a result of sparsity of population.

Pupil transportation—If the small schools are consolidated, transportation costs must be met. These may absorb as much as 30 or 40 percent of current school expenditures. . . .

The climate of a community—Cost of fuel, the amount of sheltered play space which must be provided, and the type of building construction vary with climate.

The condition of the labor market—In the 1930's there was a temporary oversupply of trained personnel for available jobs . . . . Today there is a general shortage of trained personnel. Boards of education must compete for trained teachers, many of whom find a demand for their services in other fields. . . .

Regional cost differentials—What a dollar will buy differs in different sections and communities in the United States although the importance of this factor is often overestimated, particularly as it affects what must be paid for technical and professional personnel as opposed to unskilled labor.

Effect of inflation—Inflation has markedly decreased the value of the dollar since 1940. The expenditure per pupil to purchase a given type of service or commodity required in the operation of a school has accordingly increased with the passage of the years.

. . . . . .

MAJOR QUESTIONS CONCERNING THE COST-QUALITY RELATIONSHIP IN EDUCATION

QUESTION 1: Do we get teachers with more preparation, better instructional materials, longer school terms, and better pupil attendance by spending more money for schools?

. . . . . .

The findings of . . . early inquiries, that higher expenditures secure a higher quality of personnel and other school facilities, have been repeatedly confirmed by later research. Better prepared teachers, more instructional materials, longer school terms, and better pupil attendance are bought by spending more money for schools.

[Some of these early studies were those of Ayres, Norton, Ferrell, and Mort.[1]]

The foregoing evidence is of some value. It is doubtless true that teachers with more preparation, better instructional facilities, and larger amounts of schooling result in better educational returns. But this was assumed rather than proved in the early studies. Actual educational returns were not measured. Accordingly, a second group of research workers began to seek answers to the following question.

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[1] Ayres, Leonard P. *An Index Number for State School Systems*. New York: Russell Sage Foundation, 1920. p. 54.

Norton, John K. *The Ability of States To Support Education*. Washington, D. C.: National Education Association, 1926. 88 p.

Ferrell, Doctor Thomas. *Relation Between Current Expenditures and Certain Measures of Educational Efficiency in Kentucky County and Graded-School Systems*. George Peabody College for Teachers, Contributions to Education, No. 216. Richmond, Ky.: the Author (Eastern State Teachers College), 1937. 114 p.

Mort, Paul R., director. *Reconstruction of the Systems of Public Support in the State of New Jersey*. Report of the Governor's School Survey Commission, Vol. II. Trenton: Governor's School Survey Commission, 1933. p. 26-29.

Mort, Paul R., director. *The Financing of the Public Schools of Maine*. Report of a Survey of State and Local Support of Public Schools. Augusta: Maine School Finance Commission, 1934. p. 64-97.

QUESTION 2: Do pupils make higher scores on standard tests of the three R's in elementary schools and in high-school academic subjects in high-expenditure as compared with low-expenditure school systems?

Several studies have dealt with the relation of school expenditure per pupil to pupil scores on standard tests of achievement. . . . [Among the studies referred to are those by Powell, Grimm, and Bloom.[2]]

. . . . .

The[se] studies show that pupils on the average make higher scores on tests in the three R's in elementary schools and in the academic subjects in high schools in high-expenditure as compared with low-expenditure school systems.

. . . . .

Teaching personnel and school facilities, however, are only means for achieving quality in education. They do not measure quality. Also, standardized tests in school subjects measure only a part of the educational results. Accordingly, late in the 1930's a third type of study was first employed by Mort and other research workers to provide more comprehensive measures of educational quality. The findings of studies of this type are presented in answer to Question Three.

QUESTION 3: Do communities which spend more per pupil get schools with educational programs and procedures which take better account of the needs of society and of the findings of psychological research?

Substantial progress has been made in developing research methods which measure educational quality in comprehensive and valid terms of the foregoing question. [Nine major studies have dealt with this topic.[3]]

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[2] Powell, Orrin E. *Educational Returns at Varying Expenditure Levels.* Contributions to Education, No. 573. New York: Teachers College, Columbia University, 1933. 54 p.

Grimm, Lester R. *Our Children's Opportunities in Relation to School Costs.* Springfield, Ill.: Illinois Education Association, Department of Research and Statistics, 1938. 46 p.

Connecticut Citizens for the Public Schools, Committee on Financing Education. *A Study of Factors Related to Academic Achievement in the Public Schools.* Hartford: Connecticut Citizens for the Public Schools (120 Gillett Street), June 1957. p. 7.

Bloom, Benjamin S., and Statler, Charles R. "Changes in the States on the Tests of General Educational Development from 1943 to 1955." *School Review* 65: 204-21; Summer 1957.

Bloom, Benjamin S. "The 1955 Normative Study of the Tests of General Educational Development." *School Review* 64: 110-24; March 1956.

[3] Mort, Paul R.; Vincent, William S.; and Newell, Clarence A. *The Growing Edge, An Instrument for Measuring the Adaptability of School Systems.* New York: Metropolitan School Study Council (525 W. 120th Street), 1946. 33 p.

Mort, Paul R., and Cornell, Francis G. *American Schools in Transition: How Our Schools Adapt Their Practices to Changing Needs.* New York: Teachers College, Columbia University, 1941. 546 p.

Grace, A. G., and Moe, G. A. *State Aid and School Costs.* Report of the Regents' Inquiry. New York: McGraw-Hill Book Co., 1938. See especially pages 324-29.

Commission on the Legal Structure of Rhode Island Public Education. *Schools for Our Children.* Report of a Survey of the Structure and Operation of the Rhode Island Public School System, with Emphasis on Public School Finance, Vol. I. Providence: the Commission, 1941. p. 98.

Strayer, George D., director. *A Report of a Survey of Public Education in the State of West Virginia.*

. . . . .

The . . . studies bearing on Question Three reveal that communities spending more per pupil generally get educational programs which take better account of the needs of society and the findings of psychological research on how children learn best. The scope of these school programs includes objectives ranging from excellent teaching of the three R's to such fundamental behavior patterns as good citizenship and the ability to think.

QUESTION 4: Is there a point of diminishing educational returns in increasing the level of school expenditure?

In 1949, Woollatt reported a study [in which the] criterion of quality was the extent to which teachers were applying in their classrooms the findings of psychological research of the preceding 50 years. . . .

This study reported that [Woollatt's study[4] is a classic.] . . . high-expenditure schools were not only doing a superior job in teaching skills, but were also outstanding in emphasis placed on such highly important educational objectives as the development of good character, the stimulation of intellectual growth, and the ability to think. . . .

. . . . .

There may be a point of diminishing returns in educational expenditure, that is, a point beyond which increased financial support will yield little or no further educational returns. Woollatt's study, however, suggests that this point had not been reached in school systems at the top level of expenditure in the United States. . . .

QUESTION 5: Is there a relationship between school quality and level of expenditure for certain small-expense items in a school budget?

. . . . .

. . . two . . . studies seem to emphasize the importance of discrimination in allocation of budgetary items. Apparently certain small expenditures count larger in advancing school quality than might be expected, considering their relatively small amount. [The two studies are those by Brickell and Bothwell.[5]]

QUESTION 6: What is the relation of school quality to high or low school expenditure over a period of years?

. . . Furno reported a study concerned with the effect on school quality of the level of expenditure in a community over a 25-year period. He found that the cost-quality relationship was

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Charleston: Legislative Interim Committee, State of West Virginia, 1945. p. 529.

McLure, William P. *Let Us Pay for the Kind of Education We Need.* Report of a Study of State and Local Support of Mississippi's Schools. University: University of Mississippi, 1948. p. 3.

New York State Educational Conference Board. *What Do Good Schools Do for Children?* Albany: the Board, 1954. p. 2.

Smith, Stanley V. *Quality of Education Related to Certain Social and Administrative Characteristics of Well-Financed Rural School Districts.* Doctor's thesis. New York: Teachers College, Columbia University, 1954. 225 p.

Griffis, James T. *Educational Production at Three Cost Levels.* Houston, Texas: Gulf School Research Development Association (3801 Cullen Boulevard), 1955. p. 23.

[4] Woollatt, Lorne H. *The Cost-Quality Relationship on the Growing Edge.* Metropolitan School Study Council Research Studies, No. 4. New York: Teachers College, Columbia University, 1949. p. 65.

[5] Brickell, Henry M. *An Analysis of Certain Non-Instructional-Staff Expenditures.* Doctor's project. New York: Teachers College, Columbia University, 1953. 41 p.

Bothwell, Bruce K. *Creative Expenditures for Quality Education.* New York: Associated Public School Systems (525 W. 120th Street), 1958.

cumulative. The maintenance of a high-expenditure level over a period of years has "powerful influence upon the type and quality of education children will receive in a school district for the subsequent decade."[30]

This results from several inter-relationships, as stated by Furno:

> If the expenditure level is high, chances are good that superior teachers will be employed and retained for a number of years. On the other hand, if the expenditure level is low, the chances of employing and retaining superior qualified teachers are diminished.[31]

Apparently, drastic increases or decreases in level of expenditure in particular years are less influential in advancing quality than a long-range program of school support which is discriminating as to items and adequate in amount. One ingredient in developing quality schools is an intelligent long-range policy for their adequate financial support.

QUESTION 7: Do people in states of high-expenditure for schools rank higher in educational achievement and earning capacity?

. . . . .

[Studies of this specific question[6] along with data from the 1950 federal census led to the conclusion that] states which make superior provision for the financing of schools rank substantially higher than low-expenditure states in educational achievement and in earning power.

. . . . . .

CONCLUSIONS AND OBSERVATIONS

In the light of the facts as to the cost-quality relationship in education, . . . certain conclusions and observations are offered below.

1. There is a factual basis for dealing with the relationship between quality in education and its level of cost.

It is no longer necessary to deal with this critical question solely on the basis of unsupported opinion.

2. The cost-quality relationship in education is not a simple one.

It involves a number of complex matters such as what is quality in education, how quality is to be measured, and special circumstances in different communities which condition the percentage of each school dollar that can be focused directly on instruction.

3. The evidence now available as to the relationship of level of per-pupil expenditure to the quality of education found in a school system is neither final nor complete. It is, however, highly significant.

It must be taken into account by those who would consider this important question on a rational and objective basis as opposed to one of individual opinion or prejudice.

4. A higher quality education is generally provided in school systems which spend larger amounts per pupil; lower quality education is generally provided in school systems which spend smaller amounts per pupil.

This conclusion is overwhelmingly supported by available factual studies of the cost-quality relationship cited and reviewed in this booklet.

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[30] Furno, O. Frederick. *The Projection of School Quality from Expenditure Level.* Doctor's thesis. New York: Teachers College, Columbia University, 1956. p. 47-48.

[31] *Ibid.*, p. 48.

[6] Norton, John K., and Lawler, Eugene S. *Unfinished Business in American Education.* Washington, D. C.: American Council on Education, 1946. 65 p.

Norton, John K., and Lawler, Eugene S. *An Inventory of Public School Expenditures in the United States.* Washington, D. C.: American Council on Education, 1944. 2 Vols., 409 p.

Bowyer, Vernon. "Measuring the Economic Value of Education to the States." *Improving Educational Research.* 1948 Official Report. Washington, D. C.: American Educational Research Association, a department of the National Education Association, 1948.

5. Money is not everything in achieving quality education in a community; more money does not automatically produce better schools.

Doubtless, the presence or absence of factors other than money also have their effect on the educational quality of a school system. The effect of money in permitting the employment of superior teachers is greatly lessened, if not lost altogether, in a community which permits political favoritism to prevail over proper methods of teacher selection and improvement. The effectiveness of excellent teachers will be lessened if the community attitude toward the value of education is low and if parents and people in general give pupils little incentive to do good work in school and to remain in school.

Factors reflecting the cultural status of a community—including its level of educational achievement, its appreciation of the value of education, and its understanding of what good education is—are powerful in achieving quality education. They rank close to amount of money spent per pupil in their relation to quality of schools.

Divisive factions in a community may waste energy in meaningless quarreling about the schools. Under such conditions no clear mandates either from the community or from its board of education as to school policy and program are developed. Whatever is done is condemned, teacher morale is lowered, and efforts at administrative leadership are futile.

When such negative factors lower the effectiveness of a school system, they may be more powerful in reducing educational quality than high expenditure is in increasing it, if perchance such expenditure is provided.

6. Educational quality generally increases, as measured in terms which research workers have employed thus far, as per-pupil expenditure increases.

This is true whether educational quality is defined in terms of better teachers, school facilities, and amount of schooling; whether quality is defined as scores made on tests of the three R's and related skills by pupils in elementary schools and scores made on tests of academic subjects by pupils in high schools; whether quality is defined in terms of educational programs and procedures which take account of the changing needs of our society and of the findings of psychological research; or whether quality is defined in several or all of the above terms.

7. Specifically, when communities spend more money on their schools, they generally are able to employ and do employ more and better teachers. They are able to and do provide better materials and other aids to good teaching. They get better teaching. The amount of schooling provided is greater because longer school terms are maintained. There is better attendance and youths remain in school longer. Higher scores on achievement tests are made both in the three R's in elementary school and on academic tests in high school. And the quality of the educational program as a whole and of teaching procedures is generally rated higher by trained observers in the higher-expenditure school systems.

All the foregoing evidences of superior quality in education are not found in all high-expenditure school systems, but they are found more often in high- than in low-expenditure districts. Some of them are largely or wholly absent in low-expenditure schools.

It appears that, *other things being equal,* more money buys better education. When other things are weighted on the negative side, money has less effect. When other things are weighted on the positive side, money has its most powerful effect.

8. It is important that all factors which contribute toward quality in education should be capitalized to achieve higher quality.

. . . Money is a powerful factor. But there are others, and they also need attention. . . . It is fully recognized that they exist, and that the total job of achieving higher quality education in the United States encompasses more than money. Without money, however, the effect of other quality factors will be lessened, if they are able to come into the picture at all.

9. The pursuit of greater excellence in education will be fully successful to the extent that we are able to identify and to bring to bear all factors, including money, which are influential in achieving educational quality.

This requires thoughtful deliberation and agreement, insofar as this is possible and proper in a free society, as to what a quality school is, and as to what quality education is. It also requires far more basic research as to what factors, in addition to money, are influential in producing quality schools; and as to how these, as well as money, may be maximized in their effects on the schools.

Until recently the appropriations for research in education have been extremely meager. This, however, is changing. Federal and state grants are being made for this purpose. Foundations and educational associations are allotting funds for educational research. Local school systems are pooling their resources to establish school study councils. This trend is of great significance for better schools. It will do much to increase the effect of adequate financial school support. In education, as in other areas of public and private endeavor, facts plus careful thinking are superior to opinion as a basis for progress.

Successful pursuit of excellence in education should not be based on unsupported opinion, prejudice, and captious controversy. It must be founded on research, open-minded deliberation, and essential agreement as to the nature of quality in education and the factors which bring it about.

Underlying the whole process of educational improvement, however, must be adequate financial support, for as one thoughtful panel of citizens has concluded: "All of the problems of the schools lead us back sooner or later to one basic problem—financing." [48]

Measuring Quality and Cost

William D. Firman (6:101-110) explored various definitions and conceptions of quality in education and reported studies of the cost-quality relationship.

THE MEASUREMENT OF QUALITY

The term *quality in education* does not mean the same thing to all of the people who may use the phrase. Every person describes a quality school in terms of his own set of educational objectives, and these objectives are certainly varied. Some people, for example, are satisfied with a school which doesn't cost much money; and others look for a school which gives a great deal of attention to social and emotional as well as intellectual development. Some folks are satisfied when the school limits its activities to teaching the Three R's; some, when schools provide academic preparation for college entrance; and still others when schools provide technical training.

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[48] Rockefeller Brothers Fund. *The Pursuit of Excellence—Education and the Future of America.* Panel Report V of the Special Studies Project. Garden City, N.Y.: Doubleday and Co., 1958. p. 33. Copyright © 1958 by Rockefeller Brothers Fund, Inc. Reprinted by permission of Doubleday and Co., Inc.

Some people conceive of a quality school as one which devotes its program to the discovery and development of individual aptitudes and abilities, while others emphasize the need to develop complex skills in critical thinking and problem solving. Still others stress the importance of mathematics, foreign language, science, or citizenship.

Although all of these objectives may be considered desirable and philosophically compatible at the onset, they frequently create discord and operational incompatibility when related to other considerations, particularly to financial costs. It is at this point of disagreement that one group's essentials become another group's "frills," or that a compromise arrangement assumes that "equality of educational opportunity" means the same kind of education for all.

Parallel with the problem of definition is, of course, the problem of developing, standardizing, and using appropriate measures of the quality criteria, whatever these criteria may be. Mort and his associates made use of an instrument known as *The Growing Edge*,[4] a "process" instrument to measure the adaptability of a school system. The Quality Measurement Project, on the other hand, made use of "product" measures, the scores of youngsters on standardized achievement tests. These tests of "process" and "product" have served a useful purpose in the development of insights as to the nature of the problem and the interrelationships of some variables. However, it has become increasingly clear that additional instruments need to be developed and used—instruments which can help to measure the total spectrum of educational purpose.

. . . the quality of a school must be described in terms of the quality of its parts.

It may be anticipated that one school is better than others in achieving certain educational goals while it is surpassed by others in achieving different but perhaps equally important ones.[5] Some of these differences may be the result of deliberate control based upon policy decisions; others may result from school district failures to establish objectives or to evaluate results in terms of these objectives. There is evidence that still other differences arise from basic inequalities of "input" among pupils, teachers, schools, school systems, and communities.

THE MEASUREMENT OF COST

In the same way that a generalized or global description of school quality has been helpful to the conceptualization of hypotheses and their preliminary testing, so has a generalized description of school "costs" served a useful purpose.

Usually expressed as the expenditure level per pupil, a figure derived by dividing the instructional-related expenditures of a school district by the number of children to be served, it has been used for several purposes; . . .

As useful as this concept of costs may have been, or may continue to be for certain purposes, it is inadequate as a measure of costs for the type of study which is suggested here. It is a measure which hides more than it reveals, and its use carries with it powerful assumptions which should not be overlooked. For example, it may partially ignore the concept of individual differences suggested by the psychologists, and may be used at least verbally as a hallmark of democratic educational philosophy. At the same time, it may ignore the research of the sociologists relating to social class differences and social class polarization in communities of various types. Or, to describe this concept in reverse, its use must assume that all individuals are alike and have identical educational needs which can be satisfied with a given expenditure level; or, it must assume that while individuals are different, all communities are alike in their distributions of population. Whichever the assumption may be, an individual or a community one, it is obviously false.

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[4] Mort, Paul R., Vincent, William S., Newell, Clarence A. *The Growing Edge: An Instrument for Measuring the Adaptability of School Systems.* New York: Metropolitan School Study Council, 1957.

[5] See: Goodman, Samuel M. *Procedures in School Quality Evaluation.* The University of the State of New York, The State Education Department. 1959. Table 1, p. 5.

. . . if it is to be shown that there is a cost-quality relationship in education, and if it is to be acknowledged that schools are not universally good or universally bad but that each does some things well and other things poorly, then it must be possible to relate specific measures of performance to establish the relationship.

Related to the problem of improving our cost measure is the problem of improving our accounting and reporting procedures at all three levels of government; federal, state, local. Others have spoken of this problem before and have pointed out the importance of developing comparable meaningful statistics as the basis for a myriad of studies which need to be undertaken. Certainly there is no doubt that this is of the greatest importance to meaningful cost-quality studies. New York State has developed such a new system which can provide the data needed. It is being used in some school districts this year, and its use will become general in the state in 1964-65.

A PROMISING APPROACH

. . . . .

While [the] analyses of Quality Measurement Project data do support the hypotheses that school systems vary in outcomes as measured by the achievement test scores of pupils and variations exist even among school districts of similar institutional potential, one does not yet have sufficient evidence to document a quality judgment.

Individual school systems vary in their effectiveness with different classifications of pupils. Goodman reported statistical evidence of this unevenness when using intelligence quotient as one index of pupil potential and socioeconomic level as another index:

> The average correlations among the rankings of systems for mean performance of the three different types of pupils classified according to socio-economic index were .63 in grade 4, .26 in grade 7 and .36 in grade 10. When pupils were classified according to I.Q. these average correlations were .73 in grade 4, and .52 in grade 7 and 10.

The finding that the relative effectiveness of school systems in teaching the basic skills varies by pupil IQ and socioeconomic level led to the discovery that it varies also by subject matter classification and sex.[8] Some schools do a better job of teaching basic skills to high IQ youngsters than to the low IQ, while in other schools the reverse is true. Some do a better job with boys than girls, while other schools are more effective with girls. This type of variation was found throughout approximately 90 discrete examinations of the evidence, and this led to the realization that few schools are universally good or universally bad; but rather that each is a mosaic of specific strengths and weaknesses.

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[8] Firman, William D., *et al. Procedures in School Quality Evaluation.* The University of the State of New York, The State Education Department. January 1961.

It is possible to assemble the mosaic "quality patterns" for individual school systems in such a way as to provide a meaningful picture of relative strengths or weaknesses for the whole system, or to show variation among the grades, or to indicate trends of improvement or deterioration. The process for doing this is described in the publication *Procedures in School Quality Evaluation.*[9]

FIGURE 1. THE QUALITY PATTERNS OF [TWO] SCHOOL SYSTEMS IN THE QUALITY MEASUREMENT PROJECT

School B

Scale	Grade level					
	4	5	7	8	10	11
+9						
+8						
+7						
+6				2		
+5		1		3		
+4	3	1	2	5	1	
+3	5	8	8	5	4	2
+2	8	7	5	5	2	5
+1	6	7	5	3	5	5
Average	2		4	1	2	4
−1					1	
−2					1	
−3						
−4						
−5						
−6						
−7						
−8						
−9						

School C

Scale	Grade level					
	4	5	7	8	10	11
+10						
+ 9						
+ 8						
+ 7						
+ 6						
+ 5						
+ 4						
+ 3			1			
+ 2				1		
+ 1				2	1	2
Average		2	1	5	5	6
− 1	5	8	5	9	4	6
− 2	10	9	2	5	5	2
− 3	5	3	1	2	1	
− 4	3	1	2	1		
− 5						
− 6	1	1				

THE QUALITY PATTERNS OF [TWO] SCHOOL SYSTEMS

Figure 1 provides a graphic example of the process to which reference has been made. It shows the quality pattern for each of [two] school systems [B and C], each distributed on a value scale which ranges upwards and downwards from the state average. Discrete observations were made in each of grades 4, 5, 7, 8, 10, and 11; and the number which are shown in these columns represent the number of observations which scored at a particular school level. . . .

. . . School B is generally a good school, while School C is generally a poor school. . . .

EXAMINING THE EXTREMES

Of the school systems in the Quality Measurement Project sample, 12 were identified as being almost universally good in their effectiveness in teaching the basic skills and 12 others were identified as being almost universally poor. The good ones generally have quality profiles much like that displayed for School B in Figure 1, and the poor ones have profiles generally like that of School C. . . .

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[9] *Ibid.*

The excellent schools were smaller than the poor—two-thirds as large; were nearly twice as wealthy; and spent $125 or 25 percent more per pupil for instructional purposes than did those of poor quality. The good schools had nearly five more professionals per 1,000 pupils than did the poor, and had staffs that traveled more extensively and were generally younger.

The poor schools had a slightly higher average teacher salary; but there was a larger percentage of the staff of the good schools at higher salary levels than in the poor schools. This would appear to be associated with the fact that the poor schools have more home-town teachers and keep them longer.

. . . The good schools are highly selective in the recruitment process while the poor schools are not. It is worthy of note here, too, that 53 percent of the staffs of the good schools have master's degrees while only 22.5 percent of the staffs of the poor schools fall in this category.

While the evidence provided by these comparisons may not be conclusive, it does provide new insights, a basis for more refined hypotheses, and a suggestion of the more discriminating techniques which need to be employed in our search for truth.

OTHER CRITERIA OF QUALITY

It would be unfortunate if in our attempt to describe in some detail a process which might be used to sharpen the studies of cost-quality relationships in education we left an impression that the sole purpose of education is to teach the basic skills. As important as this objective may be, it is relatively a narrow section of the total spectrum of educational purpose. It is used as an illustration simply because most people would agree that it does have importance, and there are standardized instruments available for use.

While many school systems have adopted comprehensive statements of philosophy, goals, and purposes, only in rare instances have they made attempts to evaluate their effectiveness in meeting these objectives. . . .

We obviously will need to invent instruments and techniques which can be used to evaluate the effectiveness of schools in meeting other important educational purposes. This may not be as difficult a task as it may first appear to be. Indeed, *The Growing Edge*[10] instrument which was developed by Mort, Vincent, and Newell is such an invention for measuring the adaptability of school systems. Permit me to illustrate briefly the use of another.

As part of the Quality Measurement Project research we had conceptualized another educational purpose which we described as the "individualization" criterion. It was described as a measure of the effectiveness of schools in learning all that there is to know about a pupil, and then providing an appropriate educational niche for him, one in which he might develop with satisfaction. There is, of course, no standard measure of such a criterion as this, so we had to invent one.

We theorized that a school which would score well on such a measure would have a better holding power than one which scored at a lower level. Therefore, we experimented with the use of the holding power statistic as a measure of the individualization criterion. The results were most interesting and quite satisfactory. Invention here can be both interesting and productive.

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[10] Mort, *op. cit.*

MANY ANGLES TO QUALITY

The quality of a school can be conceptualized as the product of a matrix of interacting forces, each of which affects, positively or negatively, the accomplishment of specific educational objectives.

Comprehensive, creative, intelligent research of cost-quality and other relationships in education is rapidly becoming our most important challenge; and this is uniquely a problem for the professional educator. It is the purpose of this research to conceptualize and describe the broad purposes and specific goals for education in America; to cut away layer upon layer of generalizations and assumptions and to focus upon the identification and measurement of those forces which produce better education in some schools than in others.

Which school is the better? Is it the school in the wealthy suburban neighborhood which "on the average" effects the highest test scores? Could it be the school in the slums that teaches youngsters the skills of a trade? Is it the village school which sends most of its graduates to college, or possibly the rural school that holds almost every youngster through graduation? Hopefully, it is a school that does all of these and more; but no one can declare that one is better than the other until all of the criteria have been defined and the evidence is classified.

Why Men Leave Teaching

CEF Report, May 1961, No. 3 (7: 8-9) reported a study of why men leave teaching.

"Pay too low" was the major reason men ex-teachers gave for having left the profession, according to a questionnaire study by Robert L. Thorndike and Elizabeth Hagen. Low pay was also cited by men who stayed in teaching as a major source of dissatisfaction and frustration.

Individuals in five different groups of teaching positions were contacted to study the attitudes toward teaching of those men who were currently in the field of education and of men who had taught for a period but had withdrawn to accept some other type of employment. The groups included 250 classroom teachers, 126 school administrators, 82 college teachers, 172 ex-classroom teachers, and 28 ex-college teachers. The inquiry covered primary points of dissatisfaction with teaching, attitudes toward teaching, earnings, and intellectual ability. The teachers and ex-teachers were drawn from a group of men who took a common battery of tests in the Air Force in 1943. The men in this 1959 study were identified as teachers or ex-teachers in a previous follow-up study of the 1943 Air Force candidates.

As shown in Table 6, 67 percent of the former classroom teachers along with 59 percent of the ex-college teachers gave low pay as the most important reason for leaving teaching. Approximately 45 percent of the men still in classroom teaching and 39 percent of the college teachers checked "pay too low" as a major source of dissatisfaction with work in teaching. The opportunity to get a better job elsewhere and lack of opportunity for advancement in teaching rated by the ex-teachers as the second and third most important reasons for giving up teaching. "Too many duties other than actual teaching" ranked fourth among the major reasons for leaving teaching. Classroom teachers who were still in teaching ranked too many duties other than actual teaching, large classes and overcrowded rooms, and learning and disciplinary problems with pupils as second, third, and fourth choices in a list of major sources of dissatisfaction and frustration in teaching.

Both the teachers and the ex-teachers in 1959 were from 34 to 42 years of age. In addition, all men in both groups were equal to the upper half of a high-school senior group. Those teachers who left teaching appeared to be academically the more capable and talented members of the original group. Comparison of the 1943 test scores of the classroom teachers and the ex-classroom teachers showed that the ex-classroom teachers had performed significantly better on the tests of reading comprehension, arithmetic reasoning, and mathematics.

As shown in Table 7, those who left classroom teaching and college teaching actually improved their incomes in comparison with those who stayed in teaching. In regard to median income, the ex-classroom teachers surpassed the classroom teachers by more than 25 percent. Whereas only one of the men still in classroom teaching earned a monthly income of $800 or more, 31 of the ex-classroom teachers reported incomes of $800 or more. Ex-college teachers reported incomes averaging 25 percent higher than those who stayed on as college teachers. Again, more ex-college teachers than college teachers reported incomes at the upper end of the scale.

TABLE 6.—MAJOR REASONS FOR LEAVING TEACHING GIVEN BY EX-TEACHERS AND SOURCES OF DISSATISFACTION AND FRUSTRATION FOR MEN STILL IN TEACHING
(Percent of respondents checking items)

Item	Men who left		Men who are still in	
	Classroom teaching	College teaching	Classroom teaching	College teaching
1	2	3	4	5
Too many duties other than actual teaching	11.3%	16.0%	34.9%	23.8%
Didn't (don't) really like classroom teaching	8.2	8.0	0.4	1.3
School-board and community interference	5.4	4.0	10.1	2.6
Principal or supervisor was (is) difficult to work with	11.0	4.0	7.9	5.1
Pay was (is) too low	66.7	59.3	44.6	38.8
I wasn't very good at teaching	2.7	4.0	[a]	[a]
Large classes and overcrowded rooms	9.5	4.0	33.6	22.8
Had chance at another good job	59.1	52.0	[a]	[a]
Pupils not interested in learning, or disciplinary problems	8.7	4.0	25.7	11.7
Material and equipment for teaching were (are) lacking	5.4	0.0	14.6	11.5
No chance for promotion	24.8	20.0	11.8	10.3
No intellectual stimulation	10.9	4.0	5.0	3.8
Could (can) never get completely away from the kids	1.4	0.0	2.1	1.3
Found indoor work too confining	2.1	4.0	[a]	[a]

Source:

Thorndike, Robert L., and Hagen, Elizabeth. "Men Teachers and Ex-Teachers: Some Attitudes and Traits." *Teachers College Record* 62: 306-16; January 1961. Tables 6 and 7, p. 312 and 314. Tables combined.

[a] Not applicable to men still in teaching.

TABLE 7.—MONTHLY INCOME REPORTED BY DIFFERENT OCCUPATIONAL GROUPS

Monthly income	Number of Classroom teachers	Number of Administrators	Number of Ex-classroom teachers	Number of College teachers	Number of Ex-college teachers
1	2	3	4	5	6
$1,500 and over	....	....	4	1	4
1,000-1,495	....	5	10	2	2
900-995	....	0	3	1	4
800-895	1	7	14	5	4
700-795	2	13	16	10	4
600-695	21	39	34	20	4
500-595	76	34	35	25	0
400-495	103	19	22	9	0
300-395	35	4	12	4	2
Under 300	9	2	2	0	1
Not reported	3	3	19	2	4
Median	$475	$605	$610	$600	$835

Source:
Thorndike, Robert L., and Hagen, Elizabeth. "Men Teachers and Ex-Teachers: Some Attitudes and Traits." *Teachers College Record* 62: 306-16; January 1961. Table 3, p. 310.

The findings of the Thorndike-Hagen study point to the need for increasing salaries if able men teachers are to be retained in the classroom of both public schools and colleges. More than 45 percent of the ex-classroom teachers and the ex-college teachers indicated that they might return to teaching if conditions were improved; 25 percent of the ex-classroom teachers and 35 percent of the ex-college teachers indicated they would like to get back into teaching sometime, but less than 4 percent of the ex-classroom teachers and 8 percent of the college teachers definitely planned to teach again. In the reasons why men teachers leave teaching the financial considerations seem to outrank all others.

The Citizen and the Relation of Cost Level to Quality

Erick L. Lindman (8:15-16) emphasized need for better means of developing citizen understanding of the relation of cost level to educational quality.

. . . If the quality deterioration which tends to accompany low expenditures for education were clearly apparent to the American voter, he would be more inclined to select the higher priced school program.

In a very real sense the school board at budget-making time is preparing a shopping list of educational services to be purchased for the students during the ensuing school year. Unfortunately, the shopping list is couched in technical accounting language, developed and standardized during the past half century, which gives to legislative bodies and taxpayers only a vague idea about the school program next year. The official shopping list, the budget, includes such formidable items as: fixed charges, certificated salaries of administration, textbooks, other expensive instruction, debt service, outgoing transfers, et cetera.

This is the official school shopping list prescribed for public schools. It has some good points. It is comparable to the school expenditure classifications used in other states. It is, therefore, possible to determine quite readily if the percent of the total school budget or the amount per pupil allocated for any of these items is more or less than the amount so allocated by other school systems.

This is useful to know, but parents and citizens generally want to know what is new and better about the school program next year. They are interested in such questions as: How much are we spending for guidance and counseling per pupil next year? How does this compare with amounts spent by other school districts? Is our summer school program for gifted children adequate? How does it compare with similar programs in other school systems? How much are we spending for foreign language instruction in the lower grades? How does this program compare with amounts per pupil expended by other school systems for this service?

These questions usually cannot be answered from the official shopping list of the school board. A new kind of program accounting, supplementing the present system, is needed in order to provide the information about such costs. Our budget instrument was adequate for the simple school program of 50 years ago, but it is hardly adequate to describe the complex program of the schools today. It reveals little about the quality or variety of educational services to be provided during the ensuing year.

Why has the public school budget instrument become so out of date? Perhaps the lack of progress arises from the fact that responsibility for accounting in public schools is divided among local districts, state departments of education, and the federal government. It is necessary to have some kind of nationwide uniformity if the accounting plan is to be fully effective. But accounting programs for local school systems are prescribed by the state departments of education; hence it is necessary to obtain action for change by 50 different state departments of education.

Moreover, within the school system the necessary talent to improve the situation is often dispersed among several departments. Too often the experts in fiscal affairs and school accounting are in one department and the experts in instructional planning are in another. The development of an accounting system that actually describes the school program clearly requires the cooperation of both accounting experts and specialists in the instructional program.

In order to provide a meaningful shopping list of educational services to present to a community, a concerted nationwide effort is needed in the field of program accounting. Progress in developing a more understandable school budget is essential if the cost factors of quality education are to be clarified for the American voter when he makes his crucial choices concerning taxes and the public school program.

Robert H. Wyatt in 1961 (9:43-44) proposed nine actions in developing a more effective educational program. These are listed below:

1. Our educational finance program must be based upon a philosophy that encompasses our entire national life, with its necessities and its aspirations. We must see to it that this fantastically successful economy that we have built here does not become a Frankenstein that runs our lives and controls us instead of us developing through our governmental structure the use of it in the solution of our problems and the development of our human resources.

2. Our program must be based upon a realization that the educating of our youth is an integral part of the whole problem of finding and developing our human resources, and releasing them from the thwarting influences of ignorance, poverty, and disease.

3. We must set out to construct the classrooms that are obviously needed. . . .

Partly because of the mobility of our population, adequate school construction in certain areas does not offset totally inadequate construction in others. . . .

4. We should set out with determination to find the two million additional teachers who will be required in the next 10 years. To do this we must recognize that the median salary for teachers today stands at only 55 percent of the median income of 17 other professions requiring comparable preparation. . . .

5. We must push on persistently to reorganize the antiquated small school districts in our country into consolidated districts with a minimum of 1500 pupils.

6. We must continue the fight for qualified teachers in the classroom. Our problem is not only to persuade the public of the need for highly qualified teachers, but to define for ourselves what constitutes real quality in instruction and how it can be achieved.

7. We must incorporate into our thinking the fantastically expanding needs of higher education. . . .

8. When it is considered that only half of the teachers in America are affiliated with the National Education Association and that a sizeable percent in many states are not affiliated with state or local associations, it is not difficult to see the enormous handicap with which the teaching profession is attacking its problems. The solution of these problems requires the energies and support of every teacher in this land. . . .

9. The members of the teaching profession must mature in their participation in the civic and political life of this country. The image of a teacher who has no philosophy or no position on matters of public interest, including the education of children, is certainly not an image that can inspire and lead youth to a mature intellectual growth. . . .

To say that we cannot afford such a program is to say that we do not have faith in the investment in people.

Emphasizing Returns from Education

John K. Norton (10:10-19) analyzed the economic and social background of school finance.

The past half century has witnessed rapid development of the field of school finance. It has been and is a highly viable area of education.

However, in my opinion, specialists in this field have made one strategic error. They have relatively over-emphasized techniques for obtaining and distributing school funds. They have under-emphasized consideration of what these funds buy—that is, the economic and social dividends which come from investment in good schools.

. . . . . .

Happily this situation has changed in recent years. Both educators and economists have begun to give some attention to education as a factor in economic growth.

. . . .

EDUCATION AND ECONOMIC GROWTH IN UNDERDEVELOPED NATIONS

The relation of education and economic growth is now being given attention in a new dimension—that of the world scene.

. . . . .

Underdeveloped countries are finding that technical assistance focused mainly on investment in tangible capital must be accompanied by rapid development of human resources through education. Otherwise economic growth is either very slow or nonexistent.

If one will take the figures of Unesco, he will find that there is a high correlation in nations, at all stages of economic development, between provision made for education, as indicated by such measures as literacy and per-capita expenditures for schools, and income per capita. Nations which are low in literacy are low in per-capita income. . . .

One might cite many . . . examples in Asia and the Middle East where ignorance breeds poverty and poverty perpetuates ignorance. . . .

. . . . .

There are those who claim that economic well-being is largely the product of abundant natural resources. Analysis does not bear out this claim. The nations south of us are richly endowed in natural resources, but generally maintain a low standard of living. Some European nations with meager natural resources have high per-capita incomes, but they have effective school systems.

. . . . .

ESSENTIAL INGREDIENTS OF ECONOMIC GROWTH

There should be no mystery as to why investment in education is requisite for economic growth, both in underdeveloped and mature economies. Let us list some of the returns from investment in education, which are essential for achieving or maintaining a productive economy.

SOCIAL AND POLITICAL STABILITY

Without such stability, capital investment is a precarious venture. Education is a basic source of the political sophistication which encourages substantial investment in tangible capital. In underdeveloped nations this stability has to be achieved. A layer of dedicated leaders may provide it for a period. In the long run it can be guaranteed only by the people as a whole.

NATIONAL UNITY

We take a national unity for granted in the United States. Education has been a major factor in achieving the degree of unity so that divisive factors which threaten conflict and wasted energy are kept within bounds. Who will say that this role of education is unimportant today?

. . . . .

NEW KNOWLEDGE

Basic, as contrasted with applied, research is the source of new knowledge. This knowledge is largely the product of educational and research institutions staffed by professionally and technically trained personnel who received their training in schools, universities, and other educational institutions.

. . . . .

SCIENTIFIC OUTLOOK

Education must produce scientifically oriented citizens. Uneducated people steeped in tradition and superstition are roadblocks to progress. In advanced economies the explosion of new knowledge in this modern age increases the importance of schools and other educational agencies. Otherwise the gap between scientific knowledge and its application to life widens.

TRAINED MANPOWER

. . . Rising industrial development is dependent upon an ever-rising percentage of trained workers ranging from the semiskilled and skilled to those of advanced professional and technical education. . . .

ECONOMIC LITERACY

Such literacy is one of the foundations of intelligent consumption as well as savings and investment. The ignorant citizen is the prey of the loan shark and of the purveyor of shoddy goods. The degree to which he is a prey is dependent in large measure upon his economic understanding.

INDUSTRIAL LEADERSHIP

The role of the entrepreneur is a critical one in all types of economies. In underdeveloped nations the shortage of qualified and honest entrepreneurs is a major obstacle to economic growth. In advanced nations both general and technical training are increasingly essential for the organization and management of complex industrial enterprises.

. . . . .

WAGES OF NEGLECT OF EDUCATION

. . . What happens when education is neglected? Failure to invest in education gives rise to serious liabilities. This truth is tragically illustrated today in the great cities of the United States.

. . . . .

CHANGING CHARACTER OF CITY SLUMS

Slums are no new phenomenon in American cities. But present-day slums are different in many respects from those of yesteryear. At the turn of the century, slums were inhabited by European immigrants. They came seeking and secured the educational opportunity for their children, and the improved social status, which the class rigidities of Europe denied them. Many brought salable skills, and unskilled labor was in demand. Children upon reaching maturity readily found employment. Most of them were members of cohesive families whose parents looked upon the responsible rearing of their children as a duty. Both parents were usually available to get in on the act.

Yesterday's slums contained in substantial degree the seeds of their own cure. . . .

Today's city slums are largely composed of disadvantaged Americans, to use the term of the recent report of the Educational Policies Commission.[10] These Americans have been forced from the country to the city by the mechanization of agriculture and by automation which is making unskilled labor less and less in demand. They bring no salable skills. Many are illiterate or semiliterate. Unemployment is high, since there are more unskilled workers than there are unskilled jobs. The broken family dilutes parental guidance of children. Housing conditions range from bad to shocking.

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[10] National Education Association and American Association of School Administrators, Educational Policies Commission. *Education and the Disadvantaged American.* Washington, D. C.: the Commission, 1962. 32 p.

FAILURE OF NATIONAL LEADERSHIP IN EDUCATION

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The slums of our great cities are in part a result of this tragic failure in statesmanship. We failed to take action in earlier decades to abolish rural slum school districts. They still exist. Now, in 1962, when they should have been eliminated long ago, they have become the rank seed-beds of forbidding city slums.

. . . .

INCREASED SUPPORT FROM ALL GOVERNMENTAL LEVELS IS REQUIRED

The situation in our great cities illustrates the social liabilities which accrue from financial neglect of education. The cities must have substantially greater funds for schools if they are to deal effectively with the problems which face them.

This will require more federal and state support, as well as greater power on the part of boards of education to draw upon local taxable resources, including a higher degree of fiscal independence.

Equalization support for poor school districts will continue to be a necessity. The children in our rural slums must be guaranteed their educational birthrights.

Also, suburbia has its full quota of problems compounded by rapid growth in school population, heavy outlays for new school plants, and insufficient local taxable capacity.

The funds to meet the needs of education in all types of communities will be forthcoming only if the people understand that high dividends come from investment in good schools. Concurrently with this realization, we must be sure to develop the kind of schools which contribute to economic growth, as well as to the other areas of social need which schools play a role in fulfilling.

. . . .

THE NECESSITY FOR BREADTH OF UNDERSTANDING AND VIEWPOINT

It is important that those who specialize in school finance—and specialization in this as in many other fields is essential—do not confine their thinking to the technical aspects. Else they may win some skirmishes, but lose the war for enough money to finance the kind of education our nation needs.

. . . .

We must guard against partisanship in such matters as the so-called urban-rural conflict, as it arises in such areas as representation in legislative bodies. Too often in the past we have permitted ourselves to be misled into conflict over the division between city and rural regions of some assumed maximum amount available for education. Now the rapidly growing suburbs offer the opportunity for further division of educational leadership. In fact, it is the suburbs which are now less equitably represented in our state legislatures than either the cities or the rural regions.

We would be wise to put emphasis first on what it will take to have the kind of schools which are so vigorously being demanded today. . . .

To accomplish what our society demands will require a stepping up, both in quantity and quality, of school personnel and other facilities. This is so for schools in all types of communities in cities and villages, in suburbia and in the open country.

We must close our ranks rather than let divisive factors dissipate our energies and balk us in delivering the social dividends which could be realized by adequate investment in good education for all.

Need for Long-Range Planning

Sam M. Lambert (11:18-20) emphasized the need for long-range planning in financing education.

Long-range planning is as important for education as it is for any other public or private enterprise. Perhaps it is far more important for education, because in this field our nation's entire future is at stake. . . .

Fiscal planning for education at the local level is usually limited to an effort to get a two-mill increase in the property tax rate just to keep our heads above water another year. At the state level we hardly ever look ahead more than two years; our plans for state revenue are . . . limited to some type of stop-gap measure to solve problems that are already upon us. . . . [We do not] take a realistic look at what the problems are going to be five or 10 years from now.

There are many serious problems ahead of us in education which call for long-range planning. . . .

There is no question but that property taxation is headed for rough sledding in the future. Our long-range plans for financing the public schools must include exploration and development of other sources of revenue from both state and federal governments. If we fail in this endeavor, we will have a chaotic situation on our hands.

. . . .

In looking to the immediate future there is no hope that the cost of education will level off or drop. . . .

Our problem in this country is not one of lack of wealth but of how to tap the wealth more efficiently and more effectively for education. This is the No. 1 task for education's long-range planners.

Arthur F. Corey (12:11-12, 16-17) succinctly outlined the scope of a system of public education to meet the demands of society.

WHAT ARE THE DEFENSIBLE LIMITS OF PUBLIC EDUCATION?

Every American child should receive nine years of elementary education, including a year of kindergarten. Virtually every child should receive four years of high-school education, and junior or community colleges should offer two additional years of education to all who desire it. The school year should be at least 180 days for all and should be supplemented by an additional summer session of at least 25 days for those who wish to attend. Any American, at any age, should find academic, vocational, and recreational opportunities through free adult education in the public schools.

Every classroom should be staffed with a competent, well-trained teacher. Adequate counseling as well as medical and psychiatric services should be provided at all levels. School buildings should be functional, safe, healthful, and beautiful.

Special programs should be provided for the retarded, the gifted, the deaf, the blind, and the seriously handicapped. These programs must have specially prepared teachers and the appropriate special equipment without which the unique needs of these groups cannot be met.

There may be persons who are not ready to support all aspects of this total program, but there is ample evidence that the American people will not be satisfied with less. There are a few communities in our country where all of these elements may be found, and the trend is in this direction everywhere. This is the kind of program we must be prepared to finance in the future.

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WHO SHALL PAY FOR PUBLIC EDUCATION AND HOW?

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The dramatic immensity of the goals we vision will certainly discourage the timid, but fortunately it will inspire others with its challenge. The nearer we approach the objective, the nearer the public schools can come to fulfilling their responsibilities. One conclusion seems certain. The future financial needs of the public schools in America cannot be met if leadership persists in continuing a "business as usual" attitude. This is a national problem and will not be solved by states and communities acting independently. Substantial federal assistance is imperative and inevitable. . . . The advent of massive federal support will be a critical time in the history of school finance. Without national leadership, mistakes could be made which would be almost impossible to correct.

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The concept of local control may need re-interpretation. An exaggerated sense of the sacredness of local control is a definite deterrent to district reorganization and often forces inadequate programs on children and makes impossible any real synthesis either in the educational program or its financial support. Local control was instituted in America for very definite reasons, and it may now be operating in areas far removed from any legitimate relationship to its original purpose.

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The usually accepted theory that the wealth of a community is the single index of the outside subsidy to be received is beginning to break down, particularly in our big cities. The total property tax burden must soon be considered as well as the index of wealth. School taxes cannot be considered in isolation but must be planned as part of a total tax system. Every possible improvement in the property tax system must be made if its proceeds are to keep pace with the expanding economy. It certainly cannot be expected to do more. These illustrations are merely suggestive of the multitude of problems and concepts which now demand expert re-evaluation.

CONCLUSION

The pattern of the task ahead for the public schools is now quite clear. Not only do our people expect this task to be accomplished but they are insisting that it be done with ever-increasing quality. The cost of this program in the next decade will be, in terms of traditional standards, almost prohibitive. However, the expected expansion in the total economy can support this program without strain if the load is equitably levied.

Specialization of Input in Education

Jesse Burkhead (13:95-96) in discussing the internal economic organization of schools stated:

The internal organization of public education is very closely related to matters of fiscal support. . . .

For the past fifteen years, economists both here and abroad have devoted a great deal of study to processes of economic growth. Major interest, of course, has centered on the under-developed nations, but more recently a good deal of attention has been directed toward growth problems within the American economy. One of the things that has been learned out of this exploration is the importance of specialization as a contributor to increased productivity. . . .

The process of economic development is, in fact, a process of specialization of skills and functions within the labor force accompanied by increased economic interdependence. This specialization requires a larger overhead organization within business firms and in government to assure that the interdependent and specialized parts of the mechanism work effectively.

An economist who looks at the internal economic organization of public education is bound to be impressed with its lack of specialization or, in the jargon of the profession, with the rigidity of its production function. Teaching functions are completely unspecialized at the elementary levels and specialized only by subject matter at the secondary levels. Teacher-pupil ratios are relatively fixed. Salary structures depend upon years of experience and years of formal education, not on specialized skills or specialized responsibilities.

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SPECIALIZATION OF INPUT

. . . The productivity of public education can in all likelihood be increased by the specialization of input, and a more effective utilization of the resources devoted to public education can be secured by devices that encourage specialization.

This would mean the installation of instructional equipment of all kinds and the use of specialists who are skilled in everything from the latest slide projectors to the latest teaching machines. Increased specialization of inputs would call for the abandonment of rigid class size to use the skills of teachers in larger or smaller classes as appropriate to the given situation. . . .

The additional specialization of inputs in public education would carry with it the necessity for more, not less, administration. Specializations must be interrelated, and this, as in business firms or governments, requires an increase in the quantity and quality of administration. But students of public administration and business administration point out that this is the price we pay for efficiency in large organizations.

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III. Ability To Meet the Rising Cost of Education

The development of an educational system of the scope and quality set forth in the previous chapters of these Readings will require substantial and rising increases in school expenditures. Can these costs be met?

The publications of the Committee deal with this question from two viewpoints: first, the affluence of our economy, and second, the significance of education as investment.

Economic Affluence and Rising School Costs

The following excerpts from materials of the Committee deal with this question. A 1960 report (1:27) stated:

> Our economy is well past the primitive stage when it must concentrate upon a frantic effort to produce more food, shelter, clothing, and other material goods. There is an enormous margin of choice in the United States. The issue is not one of ability to finance an educational program consistent with the needs and demands of this period. The nation has this ability. The issue is one of educational vision and willingness to match this vision with fiscal action. Such are the conclusions of several national commissions of leading citizens.

Excerpts from a 1959 study (2:33, 34, 36) give the conclusions of citizens who studied the question of our economic ability and rising school costs.

> We have to do in the educational system something very like what we have done in the military establishment during the past fifteen years. . . . We must measure our educational effort as we do our military effort. That is to say, we must measure it not by what it would be easy and convenient to do, but by what it is necessary to do in order that the nation may survive and flourish.[11]

> In the main we as a people seem inclined to concentrate our energies on the production of things, rather than on the development of human capacities and resources. . . . The outpouring of consumer goods is one of the landmarks of our society. Certainly there is nothing wrong with this, particularly so long as the multiplication of material goods ultimately serves the best interests of men. But we do not invest nearly enough time and thought and money in the intellectual and moral, social, and physical development of the man who makes all these material things possible. We retard the progress of our society by a pinchpenny attitude toward investments in health and education, in fundamental research.[12]

> We recommend that a new look be taken at the entire question of how much money this society should spend on education. In

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[11] Lippmann, Walter. "Education for Leadership." *Citizens and Their Schools.* New York: National Citizens Commission for the Public Schools, 1954. p. 25.

[12] Folsom, Marion B. "Some Suggested Adjustments in the Use of Our Resources." *Proceedings of the American Philosophical Society* 102:321-27; August 1958. p. 322.

view of the recommendations of this Committee concerning the objectives of education, teachers, and buildings, it seems obvious that within the next decade the dollars spent on education in this Nation should be approximately doubled. Such an increase in expenditure would be an accurate reflection of the importance of education in this society. . . . Good schools are admittedly expensive, but not nearly so expensive in the long run as poor ones.[3]

This same 1959 Report (2:61) summarized citizen attitudes concerning the question of increased school expenditures as follows:

The citizens commissions which have wrestled with this question agree that there must be substantial increases in the financial support of education—a breakthrough in educational expenditures—if the United States is to have the kind of education essential for survival and progress.

Just what the cost should be in future years will depend on a variety of factors. To get the amount and kind of education we need, account must be taken of (a) the continuing rise in enrollments in our educational institutions; (b) the need to lift the most poverty-stricken school districts to a respectable level of financial support; (c) the necessity of raising teachers' salaries to a level sufficient to attract and hold an adequate number of fully qualified teachers; (d) the necessity of providing for effective counseling and guidance personnel so that bright children as well as the rank and file may fully capitalize their talents; (e) the need for sufficient library books and textbooks and modern teaching facilities, such as films and television; and (f) the necessity of enough school buildings and other modern physical facilities.

Projecting and Financing Rising School Costs

Granted that our opulent society has reached the stage of evolution where it provides generously for the material needs of life and is also financially able to meet insistent demands for more and better education, the question arises, How can these costs be projected and financed? The following study offers an answer.

R. L. Johns (3:32-34, 36-41) at the 1960 Conference of the Committee reviewed several estimates of future school costs and outlined steps to increase educational revenues and productivity. Excerpts of his speech follow.

Educational expenditures have been increased considerably in recent years, and it is apparent to every informed person that expenditures will continue to increase in future years. Numerous groups, individuals, and agencies have made projections of probable increases in school expenditures or revenue receipts during the succeeding decade. These estimates have been made over a period of several years; therefore, the decades for which projections have been made are not identical. However, almost all of these estimates are remarkably similar despite the fact that they do not cover the same period of time.

SCHOOL EXPENDITURE PROJECTIONS

In 1954 the National Citizens Commission for the Public Schools released a publication entitled *Financing Education in the Decade Ahead*. The Commission stated in that publication that expenditures for the public schools might increase as much as 110 percent in the succeeding decade but that the economy of the country would also increase sufficiently to prevent increases in school expenditures from being any real burden on the economy.[1]

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[3] Committee for the White House Conference. *A Report to the President*. Washington, D. C.: Superintendent of Documents, Government Printing Office, April 1956. p. 6-7.

In 1955 the Committee for the White House Conference on Education, in its report to the President, recommended doubling the expenditures for education during the next decade. The Committee also expressed the opinion that the economy of the nation would grow sufficiently to provide for this increase without any strain on the economy.[2]

In 1959 the Killian Study Committee in its report, *Education for the Age of Science,* recommended as a minimum goal the doubling of educational expenditures.[3]

In 1958 in the Rockefeller Report on the United States Economy entitled *The Challenge to America: Its Economic and Social Aspects,* it was recommended that educational expenditures be doubled during the following decade.[4]

In 1960 W. Monfort Barr in his book, *American Public School Finance,* estimated that the revenue receipts required for public schools expressed in 1957 dollars would increase to at least $23.8 billion in 1970-71. This would be nearly equivalent to doubling revenue receipts during a 10-year period. Barr also estimated that the national income would total $585 billion in 1970, expressed in 1957 dollars, and that revenue receipts would constitute only 4 percent of the national income in 1970.[5] If one assumes that the cost-of-living index will continue to advance at the rate of about two points per year, Barr's estimate of national income would be $711.5 billion in 1970, expressed in 1970 prices, and his estimate of revenue receipts would be $28.9 billion in 1970 prices.

In 1960 R. L. Johns and E. L. Morphet in their book, *Financing the Public Schools,* estimated that revenue receipts would increase to at least $29.7 billion in 1970-71 in terms of the probable purchasing power of 1970 dollars. This would be equivalent to doubling receipts within a decade. Johns and Morphet also estimated that the national income would be $703 billion in 1970 in terms of the probable purchasing power of 1970 dollars and that revenue receipts would equal 4.2 percent of the national income in 1970 as compared with 3.11 percent in 1957-58.[6]

Finally, a number of officials, departments, and agencies of the National Education Association have issued statements or reports recommending that educational expenditures be at least doubled within a decade. The Educational Policies Commission has recommended that school revenues be tripled within a decade.

CED PROJECTIONS

The only important departure from this trend in projections was an estimate contained in a publication released in December 1959 by the Committee for Economic Development bearing the title, *Paying for Better Public Schools.* The Committee estimated that revenue receipts, in terms of 1958-59 prices, would increase from $12.1 billion in 1958-59 to only $19.4 billion in 1969-70. . . .[7]

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[1] National Citizens Commission for the Public Schools. *Financing Education in the Decade Ahead.* New York: the Commission, December 1954.

[2] Committee for the White House Conference on Education. *A Report to the President.* Washington, D. C.: Government Printing Office, April 1956.

[3] President's Science Advisory Committee. *Education for the Age of Science.* News release. Washington 1, D. C.: the White House, May 24, 1959. p. 27.

[4] Rockefeller Brothers Fund. *The Challenge to America: Its Economic and Social Aspects.* Garden City, N. Y.: Doubleday and Co., 1958. p. 78.

[5] Barr, W. Monfort. *American Public School Finance.* New York: American Book Co., 1960. p. 375, 381.

[6] Johns, R. L., and Morphet, Edgar. *Financing the Public Schools.* Englewood Cliffs, N. J.: Prentice-Hall, 1960. p. 99-100.

Almost all the projections assume that receipts and expenditures for the public schools will be approximately doubled between now and 1970-71. Most of these estimates do not assume any real breakthrough in school financing. When one examines these estimates, he finds that most of the estimated increases are attributed to school enrollment increases, further inflation of the dollar, and increases in salaries and wages roughly proportionate to the economic increment at the rate of from 1 to 3 percent per year. The estimates I have just reviewed assume only a modest increase in the quality of education or the level of education provided for the total population. Therefore, the estimators are projecting what they believe will probably happen, not what should happen. As modest as these estimates are, one even suspects that some of the estimators are wistful rather than confident. Practically none of us, with the possible exception of the Educational Policies Commission, have dared to say what we really believe should be invested in the public schools.

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INCREASE PRODUCTIVITY

. . . The extent to which we increase the productivity of the public schools will depend primarily upon how much we improve the quality of our educational program and upon how much we raise the general educational level of the whole population.

There is little chance for obtaining a major breakthrough in increasing educational productivity without first achieving a major breakthrough in educational financing . . . we can greatly improve the quality of the teaching personnel, by improving the quality of the administrative and other nonteaching leaders, by providing adequate physical facilities, by doing more extensive research, and by extending the school term. These items do not exhaust the possibilities. We have sufficient knowledge of how to improve the productivity of the educational system so that we could wisely invest within the next 10 or 15 years twice the proportion of the national income that we are now investing. We could not do so next year or the year after, simply because of the inadequacy of the supply of teachers of the quality needed. However, those people would be available within a few years if our nation would increase its investment in education sufficiently.

WHERE DIFFICULTIES LIE

Why has it been so difficult to increase the investment in education? Our two chief road blocks are: (a) the failure of the people to understand that investment in personal development is as essential to progress as investment in physical capital and (b) the awkward means by which we obtain our school revenue. John Kenneth Galbraith, a Harvard University economist, in an article "Men and Capital" published in the March 5, 1960, issue of the *Saturday Evening Post,* presented a very interesting interpretation of the first point. Galbraith pointed out that calculations made under the auspices of the National Bureau of Economic Research indicated that at least half of the increased output of the American

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[7] Committee for Economic Development. *Paying for Better Public Schools.* A Statement on National Policy by the Research and Policy Committee. New York: the Committee, December 1959. p. 90.

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economy can be attributed to investment in personal development. He concludes that "investment in personal development is therefore at least as useful as an index of progress as investment in physical capital."[10]

Galbraith points out that it is very easy to obtain investment in physical capital. The only test is, what will pay for itself? The processes for securing funds for investment in physical capital are easy and simple. Earnings can be withheld, money can be borrowed from individuals or financial institutions, or securities can be issued.

The situation with respect to public education is quite different. Despite the evidence, the general public believes that it spends money on education rather than invests in personal development. Galbraith states: "The test of what a community should spend on a social service is what it can afford—what it believes it can spare from other forms of consumption. . . . Virtue resides not in finding ways of investing more, but in finding ways of spending less. The community honors the man who is identified with economy. Yet, as we have seen, the outlays so economized now yield as large (perhaps a larger) return as those for physical capital."

Actually there need be no competition in the American economy between investment in people and investment in physical capital. That fact is evident when we study the investment in physical capital in the private economy.

. . . We have an interlocking economy. Investment in one sector of our economy does not prevent investment and production in another sector, but investment in each sector seems to facilitate investment and production in all other sectors.

These facts seem almost self-evident. Nevertheless, they are not accepted or appreciated by a large part of the public. In a popular government such as ours, the people ultimately make the decisions. If we expect to achieve a major breakthrough in school financing in the future, this attitude must change. Therefore, . . . students of school finance must give more attention to this aspect of the problem in the future than in the past.

GOVERNMENTAL SOURCES OF CURRENT REVENUE

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The nation and the state are consumers of the products of a school system, as well as the local community. Those products are paid for by taxes in the public economy as contrasted with sales in the private economy. A myth has somehow been created that a local tax dollar for school support is completely virtuous, that a state tax dollar is slightly tainted, and that a federal tax dollar is downright wicked. . . . The propaganda against federal financial support and even state support has been so effective that even some educational leaders are advocating that a major effort be made to improve school financing by authorizing boards of education to levy local nonproperty taxes for schools.

The fiscal evidence justifying the use of state and federal taxes for public school support is overwhelming. . . .

To adopt a policy of increasing school revenues by authorizing local boards of education generally to levy nonproperty taxes is a blind alley because it would increase educational inequalities, it would increase the inequities of our taxing system, and it would delay the achievement of a major breakthrough in school financing. . . .

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[10] Galbraith, John Kenneth. "Men and Capital." *Saturday Evening Post,* March 5, 1960. © 1960 The Curtis Publishing Company. Quoted by permission.

I would not like to leave the impression that the evidence indicates that local financial support of schools should be abandoned. . . . Local financing should be continued in all school districts and extended in many. The benefits of providing for and even requiring some local school financing have been demonstrated over many long years of experience. The freedom given to the people in local school districts to tax themselves for the purpose of providing educational opportunities for their children in addition to those which could be financed by revenue received from central governments has resulted in the development of many valuable innovations in American education. It is unfortunate that only the wealthy districts have usually had the fiscal capacity to develop these innovations. With more adequate state and federal revenues available, there is no reason why large numbers of districts with but limited local wealth might not also have the fiscal capacity to develop valuable innovations. We are much more likely to increase the number and applicability of worthwhile innovations if we increase greatly the number of districts fiscally capable of making such innovations than by relying primarily on a limited number of favored "light house" districts. We have the knowledge of how to apportion federal and state revenue in such a manner as to make those revenues as available for experimentation and innovation as local revenues.

A NEW PATTERN OF SCHOOL SUPPORT

In conclusion, we should continue to improve local school financing, but that should not be our principal goal. If we achieve a major breakthrough, it will be through a larger utilization of federal and state taxes and not local taxes. The situation varies from state to state. In some states major increases in state support should be made immediately. But for the nation as a whole, school revenue provided by the federal government should be increased far more proportionately than the revenue from any other source. . . .

Lifetime Earnings and Education

CEF Report, May 1961, No. 3, (4:4-5) reported a study by Herman P. Miller showing correlation between lifetime earnings and education.

A very substantial increase in lifetime earnings of men was associated with additional years of schooling in the findings of a recent study by Herman P. Miller, using Census figures on income and education of men.[3] In 1958 the male high-school graduate could expect to earn $257,557, or $75,862 more than the male elementary-school graduate, over his life span from 18 years to death. The male college graduate could expect to earn $435,242, or $177,685 more than the high-school graduate. The lifetime incomes, based on arithmetic means for males by age groups are shown in Table 3. . . .

Over the years that lifetime income was studied, Miller found that relatively greater life income gains were made by the more highly educated groups. Between 1946 and 1958 the expected income of high-school graduates of the age group 25-64 moved from 35 percent above to 44 percent above the earnings of elementary-school graduates. Between 1939 and 1958 the expected income of males of

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[3] Miller, Herman P. "Annual and Lifetime Income in Relation to Education: 1939-1959." *The American Economic Review* 50: 962-86; December 1960.

TABLE 3—LIFETIME INCOME (EARNINGS) BASED ON ARITHMETIC MEANS FOR MALES IN SELECTED AGE GROUPS, BY YEARS OF SCHOOL COMPLETED, FOR THE UNITED STATES: 1939, 1946, 1949, 1956, AND 1958

Years of school completed and age	1939[a]	1946[b]	1949[c]	1956[d]	1958[c]
1	2	3	4	5	6
Income from age 18 to death:					
Elementary: Total	e	e	$113,330	$154,593	$154,114
Less than 8 years[d]	e	e	98,222	132,736	129,764
8 years	e	e	132,683	180,857	181,695
High school: 1 to 3 years	e	e	152,068	205,277	211,193
4 years	e	e	185,279	253,631	257,557
College: 1 to 3 years	e	e	209,282	291,581	315,504
4 years or more	e	e	296,377	405,698	435,242
Income from age 25 to death:					
Elementary: Total	e	$ 87,004	104,998	143,712	143,808
Less than 8 years[d]	e	74,369	91,095	123,295	120,965
8 years	e	98,702	122,787	168,004	169,976
High school: 1 to 3 years	e	107,940	141,860	192,254	198,881
4 years	e	135,852	174,740	237,776	241,844
College: 1 to 3 years	e	161,699	201,938	281,553	305,395
4 years or more	e	201,731	286,833	391,992	419,871
Income from age 18 to 64:					
Elementary: Total	$ 40,005	e	100,413	138,127	137,786
Less than 8 years[d]	e	e	86,912	117,930	115,418
8 years	e	e	116,968	161,124	161,643
High school: 1 to 3 years	56,653	e	132,371	182,795	188,362
4 years	71,453	e	159,487	224,529	231,509
College: 1 to 3 years	77,775	e	180,841	254,092	279,640
4 years or more	109,961	e	251,493	354,457	382,982
Income from age 25 to 64:					
Elementary: Total	37,172	74,071	91,932	127,047	127,286
Less than 8 years[d]	e	62,334	79,654	108,310	106,449
8 years	e	84,687	106,889	148,033	149,687
High school: 1 to 3 years	53,011	92,044	121,943	169,501	175,779
4 years	67,383	114,023	148,649	208,322	215,487
College: 1 to 3 years	73,655	138,871	173,166	243,611	269,105
4 years or more	104,608	168,983	241,427	340,131	366,990

Source:
Miller, Herman P. "Annual and Lifetime Income in Relation to Education." *American Economic Review* 50: 962-86; December 1960. Table 11, p. 981. Reproduced with permission.

[a] Restricted to persons reporting $1 or more of wage or salary income and less than $50 of other income for native whites and Negroes.

[b] Total money earnings.

[c] Total money income.

[d] Includes persons reporting no years of school completed, not shown separately.

[e] Not available.

the age group 25-64 who were college graduates rose from 55 percent above to 70 percent above the income of high-school graduates for the same period. . . . According to Miller, the upward movement of the differentials in favor of the more highly educated groups indicates that, at least for the period observed, the large increase in the proportionate number of college graduates during the postwar period has not adversely affected their income positions.

The figures show that for the average male there is a substantial monetary return to individuals on investments in education; however, there is no guarantee that any given graduate will earn this rate of return. Differences in ability, opportunity, and quality of education are among the factors that may cause any individual to earn more or less during his lifetime than appears average for his educational peers.

Table 3 also shows that the completion of high school or college yields a greater relative return than the years leading up to but falling short of graduation. For example, the expected lifetime income for males from age 18 to death who had completed four years or more of high school was $46,364 more than for men who had left high school after one to three years. However, the men who had some high-school education had a lifetime earning advantage of $29,498 over men who had completed no more than the eighth grade.

Education As Economic Investment

The idea is frequently voiced today by some economists and citizen groups, as well as by educators, that education is one of the most highly productive investments in both the material and spiritual realms which people can make.

Interest in the concept of education as economic investment prompted the Committee to sponsor a special study on this subject entitled Education and Economic Growth *(5:7, 8, 11, 12, 14, 16-30, 32-34, 38, 43-47, 57-58). The services of a qualified economist, Harold M. Groves, were engaged to make this study. Substantial excerpts follow.*

ECONOMIC GROWTH IS IMPORTANT

It has been said that while the decades from 1930 to 1950 were primarily concerned with economic instability and in considerable degree saw this problem brought under control, the 1960's will be mainly concerned with economic growth. Historically, the view has prevailed for many years that growth is primarily a matter of amassing more tangible capital. Especially since World War II, economists are discovering that growth may be mainly a matter of developing human talent and that it can be deliberately fostered by judicious but generous allocation of resources for this purpose. Some critics consider this discovery of major, perhaps revolutionary, importance. Obviously, it could have profound implications for education. From being a fairly respectable member of the family of items called consumption goods on which the nation spends its income, education is elevated in the eyes of many economists to the even more respectable capital-goods category on which the nation's future depends. All this is superimposed upon some continuing concern that we not only grow quantitatively but improve the utilization of our resources qualitatively. It is the purpose of this monograph to review the literature in, and contribute further analysis of, this area of thought and development.

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WHY ECONOMIC GROWTH

Growth is important to relieve much still prevailing and widespread substandard living even in the United States in 1960. . . .

Growth is important to extend greater economic assistance abroad. . . .

Growth is important to facilitate improvement in public services, which in many areas leave much to be desired. . . .

When this has been said, it is still in order to enter the reservation that how to use wealth wisely is at least as much of a problem as how to step up the growth rate. . . . Economic growth may be conceived in terms of the total increase in the output of goods and services in an area over a period—*the gross national product*. It may be conceived in terms of *productivity* or efficiency, the increased output per unit of input (of labor and capital) over a period. Among other things this latter approach takes account of the intangible factor of leisure ignored in gross national product. Moreover it focuses on the causes of increased output. Next there is the concept of *economic welfare,* which has thus far largely defied measurement. It is an objective concept, but it includes such matters as the greater or lesser consumption expenses associated with differing modes of production; for example, the time and expense of commuting to work. A few critics have always contended that mass production and great specialization have been overrated because they involve many social overheads associated with urban living. Finally there is *general welfare,* involving a large element of the qualitative and subjective. Education, unlike many economic goods and factors, plays a top role in all of these gauges of progress.

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FACTORS IN ECONOMIC GROWTH

Looking next at the factors which might play a part in economic growth, we are confronted with a broad array of conditions that we can only mention and not discuss: inflation or no inflation; high or low interest rates; favorable tax policy; adequate financial institutions; much competition; a large free market; suitable social capital; optimum population increase; industrial organization (large-scale plants and firms); proper attitudes toward work, change, and enterprise. Some of these items have received particular attention with regard to growth in underdeveloped economies.

CAPITAL AND LABOR INPUTS

We have indicated that growth can occur either by larger inputs of capital and labor or by their more efficient use. Abundance of tangible capital was the factor stressed by the classical economists. There is still persistent testimony to support the view that a high rate of growth and a high rate of capital formation are practically synonymous except that the former follows the latter as effect and cause. There can be no doubt that a fast-growing economy requires large amounts of new tangible capital and rapid replacement of obsolescent equipment. But it is one thing to hold that the expansion of capital must attend economic growth, and another to contend that expansion follows the growth, and still another to contend that the needed capital is not likely to be forthcoming in an economy as rich as ours. . . .

ADEQUACY OF RESOURCES

Evidence indicates that in the future, the United States will be obliged to seek a rising proportion of its raw materials from abroad. But no matter what its population trend, the optimists see at least no important limitation on the economic growth of the United States arising from inadequacy of resources and energy. They argue simply that the greatest gift of nature to man is man himself and his ability to discover and utilize materials that previous generations did not appreciate. "The problem of resource adequacy for the ages to come will involve human wisdom more than limits set by nature."[13] Again the importance of education in such adaptation is apparent.

IMPROVEMENTS IN EFFICIENCY

Improvements in efficiency include a large category of potentialities variously described as technology, innovation, research, improvement in the quality of the labor force, and education. There is support for the view that the most fundamental of these is education and that it in fact underlies all the other items. The Staff Report to the Joint Economic Committee regarded more adequate support for education, meaning federal support, as its "single most important recommendation for strengthening our economic growth."[14]

The new dispensation in economics, of which we have spoken previously, regards technological improvement as the work not so much of amassed capital as of human beings. In order to grow we must concentrate our attention on the human factor.[15] Moreover, growth is increasingly the result of a deliberately purposeful investment in human beings. In his *The Affluent Society,* John Kenneth Galbraith summarized this view as follows:[16]

> But in the unromantic fact, innovation has become a highly organized enterprise. The extent of the result is predictably related to the quality and quantity of the resources being applied to it. These resources are men and women. Their quality and quantity depend on the extent of the investment in their education, training and opportunity. They are the source of technological change.

RESEARCH

It has long been recognized that education as an economic factor functions in two capacities: the transmission and wide dissemination of knowledge and skills, and the development of new knowledge. In the latter capacity it functions both directly and in the development of personnel employed by industry and government for research.

The research activities of private business have been growing rapidly in terms of both employment and financial outlay.[17] Sumner Slichter observed:[18]

> The discovery that an enormous amount of research can be carried on for profit is surely one of the most revolutionary economic discoveries of the last century.

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THE SPECIAL CASE OF AGRICULTURE

For those who doubt the potentialities of outlays made purposefully to develop knowledge, the special case of agriculture is recommended for attention. Agriculture has been the pacesetter in the productivity contest. . . . For a long time it has been confidently predicted by the pessimists that the law of diminishing returns would eventually catch up with agriculture. And so it may. But the day seems to recede as agriculture moves from one successive triumph to another.

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[13] Zimmermann, Erich W. *World Resources and Industries.* Revised edition. New York: Harper and Brothers, 1951. p. 818.

[14] Joint Economic Committee. *Staff Report on Employment, Growth, and Price Levels.* Washington, D. C.: Government Printing Office, December 1959. p. 55.

[15] See, for instance: Aukrust, Odd. "Investment and Economic Growth." *Productivity Measurement Review,* No. 16, February 1959. p. 35-50.

[16] Galbraith, John Kenneth. *The Affluent Society.* Boston: Houghton Mifflin Co., 1958. p. 272.

[17] See, for instance: Stigler, George. *The Demand and Supply of Scientific Personnel.* National Bureau of Economic Research. Princeton, N. J.: Princeton University Press, 1957.

Ewell, Raymond H. "Role of Research in Economic Growth." *Chemical and Engineering News* 33: 2980-85; July 18, 1955.

Joint Economic Committee. *Symposium: Federal Expenditure Policy for Economic Growth and Stability.* Washington, D. C.: Superintendent of Documents, Government Printing Office, 1957. p. 1133-1203.

[18] Slichter, Sumner H. "Technological Research as Related to the Growth and Stability of the Economy." *Proceedings of a Conference on Research and Development.* National Science Foundation, 1958. Washington, D. C.: Government Printing Office, 1958. p. 116-17.

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How do we account for this fabulous achievement? A plausible hypothesis is that here we had a politically favored area upon which were bestowed almost unlimited funds, both for research (experiment stations in agricultural colleges) and the dissemination of the results (county agents). Legislation beginning with the Morrill Act in 1862 set up agricultural colleges, experiment stations, and extension services, and they have developed into a system that is the envy of the world. All of this had its opponents, and there were those who deplored the intrusion of so-called "cow colleges" into the liberal arts tradition. Agricultural services have been obliged to operate with a rural population, many of the young and more intelligent of whom were being lost to the cities. Nevertheless they lifted the business of farming out of folklore and into scientific agriculture.

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REVOLUTION IN MEDICINE

Another field in which research money has been provided in some abundance is medicine, though in this case research activities have been handicapped by a serious shortage of personnel. The results have been extraordinarily significant and striking. "The past generation has witnessed one of the golden ages in medical progress, with advance in techniques, equipment and medical preparations following so fast on one another as to invite analogy with the industrial revolution." [26]

. . . . .

We are not prepared to conclude that what has been accomplished in agriculture and medicine could be duplicated in every area. But we are of the opinion that a good many now-neglected fields would be responsive to a similar treatment. For example, the learning process itself is an area about which we could still learn a great deal with high returns.

DEVELOPING AND DISSEMINATING KNOWLEDGE

The great bulk of outlay for education in the United States is spent not on developing new knowledge but on transmitting what we already know. This is particularly true of the education of the rank and file as distinguished from the elite 5 or 10 percent from which researchers and executives are principally recruited. The American educational system surpasses all others in the breadth of its coverage at the middle and advanced levels. The British system operates on the assumption that about 11 years of education is all that most people can absorb. The American system is much more ambitious in this respect. Its objectives cover both quality and quantity. . . .

From the economic point of view, the critics who suggest limiting the duration of universal education may have a point. But . . . other considerations than the economic are important. Moreover, we have not begun to measure the direct and indirect economic effects of broad education. Education is of enormous importance both in creating skills and in guiding people, whatever their talents, into their most productive roles. In a democracy, enough people must understand enough about governmental economic programs so that the latter may facilitate rather than harass the economy. General education is important for the success of the direct tax system. It may well be that raising the general level of "intelligence" is quite as important economically as developing a few top performers.

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[26] Stigler, George J. *Trends in Employment in the Service Industries.* National Bureau of Economic Research. Princeton, N. J.: Princeton University Press, 1956. p. 111.

Of course, it is on the consumption and the political sides that widespread dissemination of knowledge is most important, but there is an economic-growth aspect to all of this. Although such problems as disarmament, desegregation, economic instability, mental illness, juvenile delinquency, obsolete metropolitan government, ugly cities, and a hundred others may not be solved completely by education, in a democracy we can hardly hope to solve them without high levels of general enlightenment. The decision to educate everybody at public expense with no other limitation than the participant's willingness may seem generous, but the American propensity in this direction may not be so wild economically as the critics would have us believe.

If evidence as to the amount of education the general run of people can absorb to economic advantage eludes us, we do have ample evidence that we have fallen short of even minimal education. The evidence amassed by the Armed Services has been fully sifted and analyzed,[28] to show that during recent wars many draftees have been rejected for reasons of "mental deficiency," and much of this was simply a case of inadequate schooling. Differences in rejections by states support this thesis. Almost 1.5 million out of 18 million registrants presented a serious educational problem during World War II, and more than 700,000 were rejected for this reason. A majority of some 300,000 accepted persons of deficient education were brought up to fourth-grade literacy within a period of 60-90 days.[29]

Although much is made of the breadth of the educational program in the United States, there are 61 million Americans who have not completed high school, another 44 million who have not completed ninth grade, and approximately 2 million who have not gone to school at all.[30]

If the army found it difficult to man the defense program with illiterate and semiliterate personnel, the same might be expected in industry. Some direct inquiry in this area seems in the main to support this hypothesis, though a surprising number of Southern industrialists indicated no objection to using illiterates in some important areas of employment.[31] The trend, however, is to use machinery for jobs that heretofore were open to workers with low educational attainments.

EDUCATION AS CONSUMPTION

Education as consumption has two aspects: (a) its economic significance in the direction of resource-allocation, and (b) its choice (like recreation) as direct enjoyment of the national dividend. In a free economy the "sovereign consumer" is said to be the ultimate guide as to what shall be produced in what quantities and qualities. If there are flaws in his information and intelligence, he cannot be expected to order optimal results. Education aims to impart the knowledge that will enable the consumer to choose with some sophistication among the goods and services that are pressed upon him. The schools may provide about the only unbiased education the modern consumer encounters.

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[28] Ginzberg, Eli. *The Uneducated.* New York: Columbia University Press, 1953. p. 61-135.

National Education Association, Research Division. *Educational Differences Among the States.* Washington, D. C.: the Association, November 1954. p. 10.

Norton, John K. "Federal Relations to Education." *Encyclopedia of Educational Research.* Third edition. (Edited by Chester W. Harris.) New York: Macmillan Co., 1960. p. 526-28.

[29] *Ibid.*, p. 527.

[30] Weary, Bettina. "Stay-in-School Campaign.' *School Life* 39 (No. 8): 13-14; May 1957.

[31] Ginzberg, Eli., *op. cit.*, Chapter 9.

. . . If one were to ponder the most persuasive case for more education, he might well choose the consumption approach, contending that the "affluent society" could hardly do better with its ample surplus. Indeed, a good case can be made if necessary for more education in lieu of economic growth. Eventually, barring war, growth may lead such a society to a revolt against hard goods, leaving education as a form of consumption that is not similarly satiable. Or to put it another way, in the future of such society more leisure (30-hour week) is likely to be preferred to more wealth, and more education (whether or not formal school[32]) could be advantageously mixed with or substituted for such leisure. No doubt we are knee-deep in value judgments, but the case is none the less persuasive on that account.

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Education is like constructing a multipurpose building with the thought that if one purpose fails another may justify the outlay. Education on the present or an expanded scale will probably prove a good investment in the narrow sense of that word. But if it should not turn out as planned in this respect, it still has consumption and political grounds to justify it.[33]

MEASURING ECONOMIC GROWTH

The subject of economic growth has received accelerated attention in recent years from both the general public and the technicians. Much of the public interest has been stimulated by the success of the technicians in measuring growth and its constituents. What the science of accounting has done for individual private business, economic research is doing for the aggregate appraisal and control of the economy as a whole. We may note incidentally that the achievements are in large part a by-product of high levels of education. Anyway it seems essential here to discuss in some detail what the technicians have and have not uncovered.[34]

The simplest of the measures of economic growth is the rise in the *gross national product,* the latter defined as the money value of the total output of goods and services (before depreciation of capital goods) in a given country per annum. This may then be deflated by a price index to distinguish real gains from the illusory ones attributable to inflation. It may also be deflated for increase in population and expressed as gains in real output per capita.

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[32] Our attention has been called to the fact that this essay says very little about adult education, much of it outside of schools. This footnote is added to indicate no failure to appreciate an area that has been developed profitably on a wide scale and still has vast potentialities.

[33] Robert Lampman, in a comment on this section of the paper, observed: Mention should be made of certain indirect consumer benefits such as my increase in pleasure from living in a community where my neighbors' "kids" are educated and in living in a city where the level of educational attainment is high. Disraeli referred to the rich and the poor as being of "two worlds"—the difference is largely one of education. I would rather live in a community of one world. But here it is noteworthy that we who are educated give up an important privilege by the increase in education. We lose our class advantage for our children. By education we transmit the values of the middle class to those of the lower class and thus minimize not only differences in literacy but also differences in ideals and attitudes. This is perhaps a direct effect of education but it involves the quality of civilization.

[34] Most of the following is based on: Fabricant, Solomon. *Basic Facts on Productivity Change.* Occasional Paper 63. National Bureau of Economic Research. New York: the Bureau, 1959. Fabricant's paper is based on a number of studies of the National Bureau, especially that of John W. Kendrick, part of whose work has been published in *Productivity Trends: Capital and Labor.* Occasional Paper 53, 1956.

A caution should be entered at this point noting that the valuation of gross national product is made by the buyers, and a dollar's worth of comic books is equivalent to a dollar's worth of penicillin. This is described as consumers' sovereignty. Consumers' selections are, of course, biased by unequal purchasing power and limited by the degree of sophistication of the consumers. It is generally agreed that the gross national product is not the ideal measure of welfare, though it is also conceded that no better one is now available. . . .

The second measure, and the more significant for our purposes, aims at the gain in *productivity*. This is a matter of the ratio of output to the inputs of labor and capital and indicates increases in efficiency. The simplest and oldest measure here is output per manhour of labor. But recent efforts have gone beyond this and have attempted to relate output to total inputs of labor and *tangible* capital. A further refinement has attempted to modify the labor component according to its quality with some weighting according to the skills of the labor employed.

. . . at least half of the increase in gross national product over recent years is not accounted for by increases in inputs of labor and tangible capital. What accounts for the remainder—the pure gain in efficiency or productivity? First answer is that we have never given this intangible factor of production much attention and do not know very much about it. As indicated below, it is now the beneficiary of new attention and research. The newly discovered "chemical element" is broadly described as including general levels of education; research; specialization and economies of scale; improved business management. Innovation is a broad term that probably covers much of this area; but improvement in the quality of labor and capital is also important; and there are other elusive ingredients.[35]

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MEASURING THE GAINS FROM INVESTMENT IN EDUCATION

As suggested above, the discovery of a large intangible factor among the elements of economic growth opened a new field for economic research. The National Bureau of Economic Research recognized this at once and inaugurated some projects which would seek to illuminate the causes of accelerating efficiency. Among them is a study by Gary Becker, still in progress, attempting to measure in some sense the economic value of education. While the results are preliminary, enough has been published to indicate the nature of the project and what in approximate terms the final results are likely to disclose.[38]

. . . The conclusion that the average rates of return on business capital and on investment in college education

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[35] The recent isolation of the productivity factor in economic data is highly significant, but the authors of this achievement were the first to proclaim that it offered wide opportunities not only for new explorations but for refinement. Many difficulties were encountered. To mention a few of them, the data take inadequate account of improvements in product which are solely qualitative. If an automobile or a kitchen gadget produced today will give better service and last longer than one of the same market price produced 10 years ago, the data may not reflect this progress and encounter downward bias. The capital component among the inputs is particularly difficult to measure; it involves depreciation accounting, the value of land, and the price changes caused by inflation. Where improvements in the quality of capital due to innovation do not represent increased capital costs, we encounter a qualitative change in an input similar to that which the authors sought to isolate in the case of skilled labor. There is evidence the technological progress is capital saving as well as labor saving. Finally, intangible capital is left out of the inputs; it can be broadly defined to include most of the possible reasons for augmented efficiency; but even narrowly defined to include such private investment as that in research and organizational improvement, it could be substantial.

[38] The following paragraphs are based mainly on: Becker, Gary S. "Underinvestment in College Education?" *American Economic Review* 50: 346-54; May 1960.

(properly adjusted) do not seem to be very far apart.

The author concedes that the beneficial indirect effects of educational outlay may be considerable, but the suggestion is made that these are confined largely to those who specialize in science. There are also some indirect effects associated with private business capital.[39]

The National Bureau's study is a salutary beginning in an area that invites more exploration. . . .

INDIRECT BENEFITS

Becker notes that his procedure does not purport to measure the indirect contributions of education to the economy but suggests that in most cases these are a minor consideration. My opinion is that these indirect contributions are not minor but major and that this generalization holds for the whole range of education including higher education.

. . . . .

The suggestion has been offered that the strain on higher education will be relieved naturally in time by the development of an oversupply of college graduates leading to further reductions in differential earnings associated with college training.[42] The prediction of a developing "B.A. and Ph.D. proletariat" has been on record for a long time, and its realization has been postponed by an augmented demand that continues to attend an augmented supply. . . .

WASTE OF MANPOWER

If we are to take seriously the claim that *people* are a major factor in an economy's output and growth and that education develops talent, then we must deplore as a major economic waste the failure of millions of American boys and girls to finish high school.

DROP-OUT PROBLEM

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. . . The causes of this large drop-out of potential talent from the educational procession are indicated as follows: lack of motivation; poor adaptation of school offerings to the individual's interests or needs; inadequate counseling; financial pressure; and, in the case of college, lack of propinquity between college and home. The United States Department of Labor, which studied 10,000 drop-outs in seven areas, found the economic factor to be next in importance to adverse school experience. But only 2 out of 5 in the Labor Department's study had encountered any contact with guidance at all.[57]

. . . . .

Experience under the GI Acts indicated among other things that when education in high school and college is made effectively free, a large percentage of American youth will take advantage of it. Moreover, the record shows that the veterans who had completed high school or one or more years of college, on resuming their education made academic records somewhat better than nonveterans.

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[39] In a review of the National Bureau's study and other work in this area, Edward F. Renshaw suggests that the Bureau's findings are misleading because they use average returns rather than marginal returns on investment. (However, the same is true of the returns to private capital with which the findings for education are compared. Moreover, the marginal return in the case of education would be influenced by the degree to which more high quality personnel were drawn into the participation in higher education.) Renshaw also notes among other things that highly educated people may work longer hours than the less educated. (Renshaw, Edward F. "Estimating the Returns to Education." *Review of Economics and Statistics* 42: 318-24; August 1960.)

[42] Havighurst, Robert J. *American Higher Education in the 1960's.* Columbus, Ohio: Ohio State University Press, 1960.

[57] Wolfbein, Seymour. "Transition from School to Work: A Study of the School Leaver." *Personnel and Guidance Journal* 38: 98; October 1959.

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Society could hardly afford to educate everybody to the extent of individual demand solely at public expense. But education from the point of view of the student is far from a free good. The demand for education has at least two built-in checks: One is the opportunity cost to the participants (the earnings and pleasures foregone). The other is the fact that where education maintains fairly high standards, the individual will not be happy in pursuit of development beyond his capacity. These checks serve on the negative side to keep the educational traffic within bounds. But there is no equivalent insurance on the positive side that the incentive and opportunity will be adequate to develop all the extraordinary talent required by the national interest. . . .

The lack of adequate guidance is almost as important as the financial aspect. If a talented youth comes from a home and neighborhood where attendance at college is not expected, he may never realize the extent of his opportunities or responsibilities. The strategic importance of the right advice by the right person at the right time is proclaimed by nearly everybody. . . .

DISADVANTAGED GROUPS

Probably there is no section in our society where there is so much unexploited talent as in minority groups. "One of the tragic errors of American history," says T. W. Schultz, "has been our failure to invest in Negroes as citizens as we have invested in whites as citizens."[63] Whatever may have been the economic balance sheet of slavery, there is no economy in freeing the Negro race and then suppressing its talents. . . .

Whatever else may be said about discrimination against disadvantaged groups, it is undoubtedly a major economic waste. In the new dispensation that looks to human beings for economic progress, there can be no distinctions on the score of race or color. They are too expensive.

OVERVIEW

Some of the principal findings of this review are recapitulated in this section.

- In many respects the economics of education has entered a new era characterized by such factors as the increasingly strategic importance of science, the need for over-all guidance of the economic system, and international competition in the development of talent.
- There is strong support for the view that society and government can do much to foster economic growth, especially by generous outlays for research and education. The special cases of agriculture and medicine are cited as areas where research has been conspicuously generous and productive. We still have no measure of the economic value of our uniquely large outlays for the prolonged education of so-called ordinary talent, but there is reason to believe that the "general level of intelligence" is far from insignificant as an economic asset.
- Education is important for consumption and political intelligence as well as for economic efficiency. Any

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[63] Schultz, T. W. "Human Wealth and Economic Growth." *The Humanist* (Humanist House, Yellow Springs, Ohio) 19: 78; March-April 1959. p. 78.

gamble on its support for economic reasons is thus amply hedged.

- A new breakthrough in the study of productivity has disclosed the fact that our economy has been kept growing, despite a reduction in per-capita inputs of capital and labor, by augmented economic efficiency.

- The causes of increased economic efficiency are only vaguely identified, but since they are not a matter of the quantity of labor and capital, they must be associated with the quality of those factors, which in turn seems probably a matter of the quality of people who man and improve them. This gives to human resources a new significance, as it does also to education, which is our chief instrumentality for discovering and developing talent.

- Attempts are being made to measure the economic value of education by comparing the lifetime earnings of people with different educational attainments and comparing the differentials with investment in them. Tentative findings indicate a return about equal to that on the community's private investment in tangible capital. However, this approach omits what seem to us to be the pervasive and highly significant indirect benefits from education. Moreover, education involves augmented savings with their implications for growth and futurity. . . .

- Special and colossal wastes of manpower are indicated by the early drop-out of many talented youth from the educational stream; by inadequate opportunity provided for disadvantaged minority groups; . . . As to the drop-out, the outstanding causes are inadequacies in the school program, the lack of counseling, and financial.

. . . . . .

This study has not uncovered any research which tells us precisely how much we should spend on education in the future. Those who support an increasingly generous outlay for education as compared with other consumption goods, other forms of capital, and other governmental outlay must still rely in part on an element of faith. But it is faith fortified by more and more evidence and reason.

An Overview of Education as Investment

At the 1962 Conference of the Committee, Eugene L. Swearingen (6:20-23, 25, 27-37) divided his discussion of education as investment into three major sections:

. . . The first is a historical perspective, reviewing the work of four famous economists insofar as they deal with [the] subject.

The second section deals with the concern of a few modern economists that education is being treated as a consumer good, when, in fact, it is primarily an investment process. . . .

The third section deals with economic analysis and recommendations. . . .

HISTORICAL PERSPECTIVE, 1776-1930

In order to understand what economists have said about education as an investment, we must first understand how they have defined the term *capital.* It has been traditional in economics to define the factors of production as land, labor, capital, and entrepreneurship (or management). This division of the factors of production has made it difficult to regard education as part of the investment process because investment has been related to the accumulation of goods, and it has not been easy for economists to regard the attitudes and skills of human beings as part of the capital of a society. We shall see that although the early economists recognized the value of education, they were led by their analysis to exclude investment in human beings as part of the investment of a society.

ADAM SMITH

Adam Smith published his *Inquiry in the Nature and Causes of the Wealth of Nations* in 1776. . . .

. . . in Book 1, Smith treats education in the broad sense as an explanation of the inequalities of wages, while in the second book he treats these abilities and skills as part of the "stock" of the individual and likewise as part of the stock of the society in which he belongs.

In Book 2, Chapter 3, Smith deals with the accumulation of capital. In this chapter, Smith fails to deal with the educational process as part of the process of the accumulation of capital. In summary, in all sections except Book 2, Chapter 1, Smith seems to think of capital in such terms as machines, buildings, inventories, and improvements to land.

DAVID RICARDO

. . . Ricardo's book *Principles of Political Economy and Taxation* was published in 1817.

Ricardo defined capital as "that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc., necessary to give effect to labour." Ricardo fails to recognize explicitly that education is an investment process. In fact, even when discussing wages, Ricardo explicitly states that the *quantity* of labor may be "increased or diminished," but he fails to deal adequately with the *quality* of labor. Ricardo states further that he treats labor as being homogeneous, even though he knows there are different qualities of labor, because he believes that the market place has already placed relative values on various kinds of labor and that this scale is not subject to great variation.

JOHN STUART MILL

. . . His book *The Principles of Political Economy* . . . was published in 1848 and can be regarded as a total survey of the field of economics as it was understood in the middle of the nineteenth century. The great insight of Mill was to shift the concern of economists from the problem of distribution to the problem of production. . . .

. . . . .

Mill . . . presents us with an interesting way of looking at education as an investment. If education increases the present or future productivity of the individual, then it is capital. To the extent that education is not used to increase the future productivity of the individual, or collectively of the nation, education is not properly regarded as part of the capital stock of the individual or society. Rather, that part of education which does not increase the productive capacity of a person would be regarded under Mill's definition as a consumption expenditure rather than a capital investment.

. . . . .

In summary, Mill has some exceptional insights into the factors which determine the productiveness of labor. However, he continues to think of the factors of production as land, labor, capital, and entrepreneurship. This dichotomy keeps him from specifically recognizing that education is part of capital. It leads him rather to treat education as a primary reason for differences in the skill of labor. Thus, he has moved from the position of treating labor as a homogeneous commodity but has failed to develop a framework which leads one to think consistently of the educational background of people as part of the capital stock of the society.

ALFRED MARSHALL

. . . Marshall's book *Principles of Economics* was published in 1890 and dominated the traditional field for over a quarter of a century.

. . . Marshall admits that wealth could be defined broadly to include the skill, energies, and habits of the laborer, but he prefers not to include these things in his definition. . . .

Marshall . . . declares that the economist has a direct interest in determining the principles on which the expense of the education of children should be divided between the state and parents. . . .

Marshall refines the idea of capital as applied to the firm; but his primary contribution is to emphasize the social, in contrast to the individual, point of view when looking at capital or income. Marshall's emphasis of the term national income or "national dividend" leads directly into our current concepts of gross national product, net national product, etc. He shifts the emphasis from national wealth to national income as a measure of the performance of an economic system.

In summary, Marshall gives us real insight into education as a social investment, but he still continues to deal with education in his sections on the quality of the labor force rather than in his chapters on capital.

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VIEWS OF MODERN ECONOMISTS

HAROLD M. GROVES

Harold M. Groves published a study in 1961 entitled *Education and Economic Growth.*[13] . . . He believes that the progress of a society "springs mainly from *people;* their development and conservation underlies everything else." He believes that our present concern over economic growth is shifting education "from being a fairly respectable member of the family of items called consumption goods . . . to the even more respectable capital-goods category on which the nation's future depends."

. . . . .

CHARLES S. BENSON

In 1961, Charles S. Benson . . . published an exhaustive work entitled *The Economics of Public Education.* Dr. Benson used the tools of economic analysis to analyze public education in clear and systematic fashion. . . . His book is divided into three major segments: Part I deals with education as an economic institution; Part II discusses the sources of public school revenue; Part III discusses the processes of public school expenditure.

. . . Benson discusses both the individual and social benefits of the education process. He notes that certain benefits accrue to the individual but that other benefits are available to all members of the society. . . . Benson asserts, public support of education is justified. However, he also notes that because benefits accrue both to the individual being educated and to his family, a portion of the cost of education should be borne by the family.

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[13] See digest on pages 64-73.

. . . Benson believes that increases in expenditures for education cannot be presently defended by scientific studies relating marginal expenditures to marginal gains in productivity. This is not to say that the relationship does not exist but simply that at present tools of analysis have not enabled us to measure these gains.

THEODORE W. SCHULTZ

Theodore Schultz . . . chose the subject "Investment in Human Capital" for his presidential address to the American Economic Association on December 28, 1960. He said that education accounts for a significant portion of the increase in the economic welfare of our society. He reviewed the literature relating to economic growth and concluded that increases in physical capital, in land, and in technology do not adequately explain the economic growth which we have experienced. He stated:

> Investment in education has risen at a rapid rate and by itself may well account for a substantial part of the otherwise unexplained rise in earnings. . . . My preliminary estimates suggest that the stock of education in the labor force rose about eight and a half times between 1900 and 1956, whereas the stock of reproducible capital rose four and a half times, both in 1956 prices.[15]

In other articles, Schultz has emphasized the importance of human investment. He has attempted to estimate the return on investment in both high school and college education and has tentatively arrived at estimates of about 11 percent return for both.

OTHER MODERN ECONOMISTS

One of the better studies on education as an investment is the publication entitled *Education as an Industry,* by Ernest Van den Haag.[16] Harold F. Clark has presented evidence showing the high correlation between the literacy of various countries and their per-capita income. Gary S. Becker has given us some badly needed data on the economic value of education. (The National Bureau of Economic Research has undertaken this problem of measurement of the returns on investment in education.) Others who have studied this problem deeply and have written on various aspects of it include Richard B. Goode, W. Z. Hirsch, H. Gierch, and Irving H. Siegel.

ECONOMIC ANALYSIS AND RECOMMENDATIONS

. . . society must decide what portion of the current wealth and current production of society is to be used for immediate consumption and what portion is to be used to produce goods and services for the future. Because human beings are one of the factors of production and because the ability of these people to produce can be modified by education, society is constantly deciding how much to invest in education as a means toward increasing future versus present consumption.

THE THEORY OF INVESTMENT

One of the fundamental tools of economic analysis is the so-called marginal analysis. It has long been accepted that an individual firm should carry its investment in any capital goods to the point that the marginal investment yields as much marginal return as it would in any other use.

Economists make much of the concept of equilibrium for a firm, and one of the essential doctrines of economics is that production in the firm should be increased to the point where marginal cost is equal to the marginal revenue and profit is maximized (or losses are minimized). Leftwich deals with the equilibrium concept as a way of integrating price theory and resource allocation.[17] Society has limited resources but relatively unlimited wants. Therefore, choices must be made to allocate resources in a way which is considered optimum by the society.

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[15] Schultz, T. W. "Investment in Human Capital." *American Economic Review* 51: 10-11; March 1961.

[16] Van den Haag, Ernest. *Education as an Industry.* New York: Kelley and Millman, 1956.

Society should invest in human capital rather than in physical capital if for a given cost to society the social return is greater from the investment in human capital. The investment process would be carried out by society so long as the *gain* from investment exceeds the *cost* of shifting resources from the production of goods or services for current consumption to the production of goods or services for investment purposes.

Galbraith has criticized the functioning of our economic system on the basis that it does not make optimum decisions with respect to social investment versus private investment. His criticism may be well founded, and we must continue to search for ways of measuring the extent to which we should have private versus social investment in human capital and in physical capital.

OPPORTUNITY COSTS AND THE BENEFITS OF EDUCATION

Opportunity costs are measured in terms of what must be given up if an alternative is pursued. Thus, the opportunity costs of education include: (a) the goods and services which the student could add to production if he were employed, (b) the amount of goods and services which those employed as teachers could add to production if they were otherwise employed, (c) the goods and services which could be produced for society if resources were not used for such things as school buildings, equipment, textbooks, supplies, etc.

Counterbalancing the costs, education yields certain direct benefits which include: (a) immediate satisfaction or utility from the educational process on the part of the student, which is probably negative for some students but is perhaps positive for most students (in this sense, education is a consumer good); (b) future increases in productivity on the part of the individual resulting from the educational process; (c) current increases in productivity, especially from working mothers. . . .

. . . on balance, it seems that investment in education definitely increases the flexibility of the labor force, increases its geographical mobility, and tends to move our society toward fuller utilization of its labor and capital resources.

. . . . .

WHOSE BUSINESS IS IT TO EDUCATE OUR CHILDREN?

Some citizens have always opposed public education. . . . However, we all know that our society has accepted the philosophy that it is the responsibility not only of the individual to educate his children but of society to see that children are educated. Compulsory education could not exist with any other philosophy.

We have accepted the idea that the child is to be educated not simply to advance his personal interest but because society will suffer if he is not educated.

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[17] Leftwich, Richard H. *Price Theory and Resource Allocation.* New York: Holt, Rinehart, and Winston, 1960.

. . . . . .

POLITICAL ASPECTS

. . . something should be said to indicate that a true determination of the optimum allocation of resources in a society must consider many factors which are not economic in nature.

The political aspects of education are usually argued to be on the positive side. There are many who argue that universal suffrage is an untenable position unless we also have universal education. There are some who have argued that the value of education to a democracy depends upon the content of the education, the amount of the education, and the distribution of this education. . . .

SOME STEPS TO BE TAKEN

1. The first thing we must recognize as a society is the point at which this entire paper has been aimed. *Education is an investment.* Furthermore, investment in human capital is profitable, usually to the individual, and certainly to the society of which he is a part.

2. Our tax laws, particularly our income tax laws, must be changed so as to put investment in human capital on a par with investment in physical capital. . . .

3. We should search for ways of improving the capital market as it relates to investment in human capital. . . .

4. Much research is needed on this subject. We particularly need valid estimates regarding the returns from education—to the individual and to society. Also, we know very little regarding the effectiveness of our legislative process in bringing about anything approaching a social optimum in allocating resources to education.

Tax Effort in the United States and Other Nations

CEF Report, November 1962, No. 6 (7:16) reported a study showing the share of gross national product taken by tax systems in 21 industrial nations:

	National, state, and local taxes as percents of gross national product, 1959	
West Germany	34.0%	
France	33.3	
Austria	33.1	
Finland	32.1	
Norway	31.8	
Luxembourg	30.0	(1958)
Sweden	29.7	
Italy	29.2	
Netherlands	29.1	
Britain	28.9	
UNITED STATES	26.7	
Denmark	24.5	(est.)
Canada	24.3	
Belgium	23.1	
Ireland	22.2	
Australia	22.0	
Greece	20.1	
Japan	19.0	
Portugal	18.2	
Switzerland	14.4	
Spain	13.4	(1957)

But in the U.S. a comparatively heavy share of the burden of government support falls on direct taxes—on income wealth and payrolls of individuals and corporations, and a light share from indirect taxes—excises and sales.

Effect of Quality on Returns from Education

Theodore W. Schultz (8:32-33, 36-37) dealt with certain economic issues involved in improving the quality of education.

REASONS FOR THE SHIFT TO QUALITY

It has been a part of our genius to rate high the quantity of schooling, and

Percentage of total tax collections at all levels of government by source, 1958

	Direct taxes on income, wealth, payroll						Indirect taxes (excise, sales, etc.) on individuals and corporations
	Individuals			Corporations			
	Income, wealth taxes	Social security charges	Total	Income, wealth taxes	Social security charges	Total	
Sweden........	46%	7%	53%	11%	3%	14%	33%
Denmark.......	43	5	48	6	..	6	46
Netherlands.....	31	7	38	10	19	29	33
Austria.........	30	7	37	7	15	22	41
Britain.........	26	7	33	15	6	21	46
West Germany..	18	15	33	10	14	24	43
Belgium........	21	9	30	9	19	28	42
France.........	11	6	17	7	23	30	53
Portugal........	10	6	16	21	15	36	48
Spain..........	10	5	15	17	14	31	54
Ireland.........	12	2	14	9	3	12	74
European average......	23	7	30	7	11	23	47
United States....	35	6	41	16	8	24	35

For all countries, 1958 is most recent year of breakdown on social security charges.

Source:
Tables from: Business Week. "How Taxes Compare." *Business Week*, August 25, 1962. p. 53 and 54. Special permission granted.

we have done exceedingly well on this score. In addition to enough teachers and classrooms to take care of the growing school population, we have added more days of school per pupil, more years of school per student with more of them graduating from high school and entering college. While we have made some qualitative advances, there are now many strong signs indicating that in the years to come improvements in quality will be our basic concern.

. . . . .

The demand for schooling is of two parts, *cultural satisfactions* and *producer abilities*. We can afford more as consumers, even though the price of schooling is rising relative to consumer prices generally. The skills and other producer abilities are in essence an investment, and high quality schooling is a good investment. The U.S. economy provides a strong market for these particular abilities; the rate of return on the investment to acquire them is high.

. . . . .

PROSPECTIVE RATES OF RETURN

I shall leave aside the value of improvements in quality of schooling which give us cultural satisfactions. Of the producer abilities associated with schooling, I shall also not take into account the several benefits that do not accrue to the student but accrue to his neighbors, employers, and co-workers.

The highest rate of return from improvements in quality are to be had, I am convinced, at the elementary level. The basis for this judgment is as follows: There is a vast difference in quality throughout this country at this level, to which I have alluded; it costs the least per pupil because there are no earnings foregone on the part of students; the marginal rate of return to seventh and eighth years is about 30 percent, implying that quality also probably has a very high pay-off. Suppose we had elementary teachers in every school who were worth a $5,500 salary and who received it, working with relatively small classes, and specializing on one or two classes. The extra costs would be large, but the pay-off on it as an investment in producer abilities alone that would increase the future earnings of students would probably exceed 30 percent per year. Where can one find a better investment?

At the high school and college levels, the pay-off would probably be somewhat less, mainly because earnings foregone are a large cost component. Yet here too there are large quality differences. Students from farm homes attending nearby high schools more often than not receive instruction inferior to that offered in the large urban schools. Farm youth also work too many hours on the farm while attending high school. Half of them work on the average 27 hours a week; a third of them actually work 35 hours or more a week on the farm while attending school. High school studies should not be a part-time venture. To be saddled, as half of our farm youth are, with 27 hours of farm work a week is a most unfair handicap.

Several studies show that Negroes who have completed either high school or college receive substantially less wages than whites with the same level of schooling. No doubt a part of this difference in earnings arises from racial discrimination. But a substantial part reflects the vastly inferior schooling that Negroes have been receiving.

Nor do these exhaust the possibilities for improvements in quality. One need only examine the differences in quality of instruction among our some two thousand colleges to see how much room there is for doing better than we are doing. Moreover, the reward would be high. How high? My guess, based mainly on related rates of return to quantity at those levels, is in the neighborhood of 15 to 20 percent per year.

A Reservation Concerning Emphasis on Education As Investment

H. Thomas James (9:59) gave the following warning:

> . . . let me express one reservation about a popular theme in our recent conferences, the view of educational expenditures as investment. There is danger in viewing education as a commodity, like gilt-edged bonds, that can be stored away, with coupons that can be clipped and cashed. As the evidences of the economic returns of education accumulate, parents keep a wary eye on their children to see that they keep up with the Joneses' children. . . .
>
> This new materialistic image of education, this emphasis on manpower rather than man, is disturbing to many of us. Historically we pursued education in our society as an end in itself. A liberal education was a good thing in and of itself, good for the individual who possessed it because it made him aspire to and appreciate the good life, and good for the society he lived in because, as individuals increased in wisdom, the society increased in capabilities for wise self-government. Under this view we could pursue our own education and that of our neighbors with equal enthusiasm, because our individual and our mutual satisfactions rose together as enlighten-

ment spread. In this view, education is an integral part of the good life, an end in itself for the individual and for a self-governing state, to be pursued with diligence, with altruism, and with honor.

Perhaps we must live with the materialistic image of man as one of the hard facts of our times and somehow work it into the equation that is shaping educational policy in a climate of technological change. If so, I hope that as we pursue our plans to generate the efficient economic man, we can remember his social nature and the values we attach to enlightened self-government. Let us not try to shape each one in a standard mold; we will need some to govern with wisdom, and some to write poems to our mountains, or paint our sunsets, or fish and hunt in our rapidly shrinking wilderness.

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5. Groves, Harold M. *Education and Economic Growth,* 1961. 58 p.
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IV. Raising the Funds—Necessity of New Orientations

Committee studies frequently point out that it is essential that new attitudes concerning taxation and school expenditure must underline provision for adequate support.

Findings of Citizen Groups

A study of the Committee (1:28-29) quotes the conclusion of a foundation on this point.

> All of the problems of the schools lead us back sooner or later to one basic problem—financing. It is a problem with which we cannot afford to cope half-heartedly. . . .
>
> It will not be enough to meet the problem grudgingly or with a little more money. The nation's need for good education is immediate; and good education is expensive. That is a fact, which the American people have never been quite prepared to face. . . .
>
> Perhaps the greatest problem facing American education is the widely held view that all we require are a few more teachers, a few more buildings, a little more money. Such an approach will be disastrous. We are moving into the most demanding era in our history. An educational system grudgingly and tardily patched to meet the needs of the moment will be perpetually out of date. We must build for the future in education as daringly and aggressively as we have built other aspects of our national life in the past.[4]

CEF Report, August 1960, No. 2 (2:10), summarized the findings of a group of businessmen concerning improved financing of public schools.

Paying for Better Public Schools, a policy statement from the Committee for Economic Development, underlines the need for better public schools and the ability of the nation to pay for better schools.[9] This statement by the Education Subcommittee of the Research and Policy Committee of the CED presents the views of 50 members who are primarily businessmen. The CED, an influential group in the business community, recommended four steps to improve the financing of public, elementary and secondary schools:

1. *Consolidation of small school districts* as an immediate step for efficient provision of a complete school program. The statement specifies mandatory and immediate state action to reduce the number of school districts from 45,000 to 10,000.
2. *An increase in state financial assistance* to local school districts through state foundation programs to insure for local school districts within most states the financial ability to support schools.

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[4] Rockefeller Brothers Fund. *The Pursuit of Excellence—Education and the Future of America.* Panel Report V of the Special Studies Project. Garden City, N. Y.: Doubleday and Co., 1958. p. 33. Copyright © 1958 by Rockefeller Brothers Fund, Inc. Reprinted by permission of Doubleday & Co., Inc.

[9] Committee for Economic Development. *Paying for Better Public Schools.* New York: the Committee, December 1959. p. 90.

3. *Federal support for schools* for those states which are below 80 percent of the national average of personal income per public-school child in average daily attendance.

4. *Citizen effort to improve schools* at the local, state, and federal levels to implement the three foregoing recommendations.

An Emerging Rationale Concerning Taxation

In 1960 the Committee sponsored a report entitled Taxes Contribute to Progress *(3:5-25) which was drafted largely by M. Slade Kendrick. This report briefly traced the roots of modern taxation and sought to establish a rational approach to taxation rather than one based on propaganda. A few excerpts from this report follow.*

1. ROOTS OF MODERN TAXATION

In the midst of revolutionary change, one aspect of our living appears to remain unchanged—a general dislike of taxes. With society becoming more complex it becomes more difficult to associate benefits with taxes. Although many taxes are direct, the benefits are not always immediately visible.

Thus, we have a fertile climate for misleading information about taxes and public expenditures. For example, a common assertion is that there is no national taxpaying ability except that which originates in the individual states. This sounds logical and we almost nod our heads in agreement, except that even a small amount of investigation tells us that goods, money, people, and property ownership do not necessarily know state lines and all represent some aspect of taxpaying capacity.

Tax propaganda observes no lines either. At any level of government—local, state, or federal—claims and counterclaims arise over taxing and spending policies. Some are valid, but some are hangovers from bygone periods. Some of the ideas on public taxing and spending can be traced back to the monarchies, most of the ideas can be found sooner or later in the literature of political economy, and in America new environmental factors have influenced our support of government.

EUROPEAN BACKGROUNDS

Let us look back 150 to 200 years to trace some of our ideas on public finance. The eighteenth century was in general a period of absolutism. The disorders of feudal society had passed. The great nobles no longer had their own way. The national State had arrived and, with it, centralized power in the hands of the King. The mass of the population had nothing to say about the policies or the administration of the government under which they lived. Essentially, governments had arbitrary, even tyrannical, power.

. . . all through the eighteenth century, the common man continued to have little if any influence on the course of public affairs. Property, land, and status qualifications for voting were universal. Consequently, relatively few persons had the franchise. And these usually voted, not on the basis of the principles involved, but on the basis of loyalty to some important individual or for the sake of a reward.

What did the ordinary citizen get in the way of services from his central government? Save for the conduct of foreign affairs and the maintenance of national defense,

> the central government did nothing to secure the public safety, provided no schools,

> made no roads, gave no relief to the poor. With the solitary exception of the postal service, the State performed no function of immediate benefit to the taxpayer. In the eyes of the public the State appeared only as the power that enlisted men and levied taxes.[6]

Local government services consisted principally of the maintenance of law and order, the upkeep of roads and bridges, and the relief of the poor. There were no public schools open generally to children, but only a few private endowed and charity schools.

. . . . .

Adam Smith, the founding economist, had the greatest influence of all. In his famous book, *An Inquiry into the Nature and Causes of the Wealth of Nations,* published in 1776 on the eve of the Industrial Revolution, when the people of England were stirring uneasily under the constriction of the system of regulation that had been developed during the preceding centuries, he argued persuasively for a free economy in which the market regulated prices and production. An invisible hand, he thought, would guide and coordinate the actions of all participants in the economic process to the general good. But even under such a beneficent operation, he recognized the need for government to perform three duties.[7]

The first duty of the sovereign, he said, was to provide for the national defense; the second, to administer justice; and the third to establish needed public works and institutions that would not be constructed or founded by private individuals. The public works that he had in mind were those that facilitated commerce, such as roads, bridges, navigable canals, and harbors. The institutions recognized as basic were those of religion and public education.

. . . Adam Smith felt strongly that the whole body of the people should acquire the "most essential parts of education." His words bear quotation: [8]

> The public can facilitate this acquisition by establishing in every parish or district a little school, where children may be taught for a reward so moderate that even a common laborer may afford it; the master being partly, but not wholly, paid by the public, because if he was wholly, or even principally paid by it, he would soon learn to neglect his business.

This modest provision was advanced for the time. Adam Smith, however, is better known for his canons of taxation, which were far ahead of the practice in his day.[9]

> 1. The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is in proportion to the revenue which they respectively enjoy under the protection of the state.
> 2. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.
> 3. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.
> 4. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

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[6] Halevy, Elie. *England in 1815.* New York (now in Gloucester, Mass.): Peter Smith, 1949. p. 36.

[7] Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations.* Vol. II. New York: E. P. Dutton and Co., 1921. See chapters on the expenses of the sovereign and the sources of revenue.

[8] Smith, Adam. *op cit.*, p. 266.

[9] *Ibid.*, p. 307-308.

TAXATION IN AMERICA

Most of the settlers in the new land of America came from England, though some were from France and other countries of Western Europe. It was therefore to be expected that the structure of society and the forms of public administration and taxation would resemble their counterparts in the older commonwealths.

. . . . . .

The public services were few and small. . . .

There was a little elementary public education, particularly in New England. But actually it was the religious groups that operated the schools. The comment of Charles and Mary Beard is in point here:

> The idea of elementary schools supported by taxation, freed from clerical control and offering instruction to children of all classes, found no expression in colonial America.[13]

. . . . . .

THE CHANGING THEORY OF THE ROLE OF GOVERNMENT

In the beginning years of the nineteenth century, the prevailing view was that government should do as little as possible. The traditional functions of protection, maintenance of law and order, and the like were recognized as essentials. But it was thought that government should not go beyond them. About the only exception was internal improvements, particularly better means of transportation. Support for a *laissez faire* or "let alone" policy was found in the great work of Adam Smith already mentioned, and also in the writings of the economists David Ricardo and Jean Baptiste Say.

But as time went on and changes in the social and economic order resulted in more and more problems that were thought to require public attention, the theory of *laissez faire* was breached by the practice of positive action. It became therefore less easy in the face of rising needs and attempts to satisfy them by public measures to hold to the older idea. . . .

. . . . . .

ATTITUDES CLASSIFIED

. . . attitudes may be grouped three ways. Two of them mark the practical extremes. One is that governmental activities should be narrowly limited. This is the *laissez faire* or "let alone" view.

. . . . . .

Opposite to the *laissez faire* view of government is that of collectivism. Under the application of this view the functions of government would be greatly expanded. Nationalization of industries, more regulation, more public goods and services, and much higher taxes would prevail. The presumption would always be in favor of more government, rather than of less. Under such an order of affairs, the government, whether by direction or by positive action, would come to dominate the social and economic life. And as the sphere of private activity shrank, and the incentives to exercise initiative correspondingly weakened, the process of collectivization would gain momentum.

We do not have to believe either in limited or in unlimited government. But of the range of intermediate positions, only one, the doctrine that the government should follow the principle of maximum social advantage, has a reasoned justification. This third view rests upon the assumption of a democratic state. In such a political unit, the members of the government derive their powers from the people. Accordingly, they should serve the interests of the people.

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[13] Beard, Charles A. and Mary R. *The Rise of American Civilization*. New York: Macmillan Co., 1929. Vol. 1, p. 177.

But how does maximum social advantage operate as applied to public expenditures and taxation?[26] First, this principle gives an approach to thinking on such problems. It looks always to the particular issue, not to a general rule. Thus, the question becomes one of whether advantage is served by the proposed measure and if so, the maximum advantage.

Second, the principle of maximum social advantage gives a basis for appraising the desirability of a given level of public expenditures and taxation. The mere fact, for example, that public expenditures are large and taxes high is no reason for concluding that reductions are in order. And equally, small public expenditures and low taxes do not necessarily give cause for approval. The fundamental issue under either state of affairs is whether the maximum social advantage is being served.

Undoubtedly the determination of what is best for society is difficult. And the considerations involved include the future, as well as the present for the life of society is timeless. But if that problem is ever to be solved, the approach must be from the right principle.

. . . . .

EDUCATION, AN INVESTMENT

. . . . .

Appraisals of the value of education are undergoing rapid change. The foundation, of course, is elementary and secondary education. Upon this foundation, higher education, research, and technological growth depend.

Some of the factors forcing the reevaluation are considerations of national defense, of the space age, and of maintaining our position in the world. Expansion of research is evidence of the change. . . .

Less in the foreground of public attention than the growing emphasis on science and research, but equally evident to the discerning, is the need for more knowledge of our society and its problems. Never before in our history has so much responsibility rested upon the persons who make the national decisions, and therefore upon the citizens who in a democratic country ultimately rule. The very survival of the United States depends on the wisdom of our national policies and the effectiveness of their implementation.

But, as previously stated, higher education and research, new scientific knowledge and technology, and greater understanding of public problems are only part of education. The scientists, statesmen, and social and political philosophers of tomorrow are attending the elementary and high schools of today. The work of these institutions must be improved if the performance of all citizens is to be raised. Early impressions, training, attitudes, interests, are fundamental to later accomplishment. Learning must somehow come to be as attractive as baseball. The public school, elementary and secondary, is the seed bed of the achievements that we desire.

In such a program, money is not everything, and is indeed only a means toward the end. What is actually done depends on the wisdom of the decisions made and the efficiency with which the money is spent, as well as on the amount. The three factors, however, are interdependent. If a substantial improvement is to be made in the educational contribution of the public schools, more money will have to be provided. The investment is worth making.

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[26] A good exposition is to be found in: Dalton, Hugh. *Principles of Public Finance*. London: George Routledge and Sons, Ltd., 1936. Chapter 2.

A Popular Primer on Taxation

The Committee has long wrestled with the dichotomy of the taxpayers' attitudes toward support for education and payment of taxes. Many do not realize that if schools are to be supported, taxes must be paid.

In 1961 the Committee issued a popular report (4:3-15) on taxation; a summary of this report follows:

Roots of Opposition to Taxation

1. Taxes have been used by absolute rulers to oppress the people of many nations.
2. Taxes have been imposed without the consent of the taxpayers and voters.
3. Public revenues have been used unwisely, even wastefully.

Changed Tax Conditions

1. The foregoing faults no longer exist unless we allow them to by neglect of our civic obligations. We no longer live under the rule of absolute kings and tyrants. We live in a democratic republic where we choose our public officials and legislative representatives.

2. If we, citizens and voters, tolerate unwise, inefficient, or wasteful tax systems and management of public revenues, *we* are to blame. We should not find fault with government which is a reflection of our own standards—or indifference.

3. Honest stewardship and good government cannot be obtained by complaining that "all taxes are bad." Let us recognize the important, useful role of taxation in providing the public services our society needs.

Taxes as Cooperative Buying of Essential Services

If each family had to employ its own teacher, policeman, postman, and fireman, there would be inadequate education, police and fire protection, roads, health safeguards, parks, libraries, and other necessary public services.

There are other nations, with resources similar to those of the United States, that have not developed culturally and economically. They have relatively few public services. Business does not have an expanding market for its products and services; new employment opportunities are few. The people give little support to newspapers, magazines, books, artistic activities, and other cultural advantages.

In America our rising standards of living and our advancing civilization require many things which contribute to the welfare of all citizens. The more cars we own, the more we need roads and protection. The more complex our economy becomes, the more we need EDUCATION for all.

With our taxes, *we* buy the services, benefits, and opportunities *we* need and want.

Government is the machinery through which we examine our needs and decide how they can be satisfied. The agencies of our government collect the taxes, review the needs, prepare the budgets, keep the records, and make periodic reports to all of us.

Scope of Public Services

Many citizens fail to realize the wide range of services which taxes buy.

Many of the following, bought wholly or in part by tax money, would be difficult to obtain through private purchase.

1. Public schools
2. Police
3. Hospitals
4. Fire control
5. Parks
6. Libraries
7. Elections
8. Water supplies
9. Food inspection
10. Colleges
11. Highways
12. Housing
13. Irrigation
14. Soil conservation
15. Justice
16. Farm aid
17. Flood control
18. Savings; insurance
19. Census
20. Aid to small business
21. Post office
22. Military defense
23. Money and coinage
24. Civil defense
25. Rural electrification
26. Old-age security
27. Unemployment insurance
28. Vocational rehabilitation
29. School lunches
30. Weather reporting
31. Patents
32. Scientific research

. . . plus more.

Indirect Tax Benefits

Most of us expect taxes to give us such *direct* benefits as police and fire protection, school opportunities, and safe highways. Often we do not notice the constructive effects of public services and the *indirect* benefits to society.

The second class [indirect benefits] includes outlays which are reproductive in the sense that they create economic advantages for the community through which the national income and the income tax base will be enlarged in future years. Into this class fall soil conservation, public health, and public education.*

Dividends often result from public service expenditures; for example, a study of some 80,000 handicapped persons who were given vocational rehabilitation training in 1963 showed that the personal income of the group rose from a total of $47 million to $238 million annually. Over their working lives, the federal income tax yield from these persons was expected to amount to $7 for every federal dollar spent in rehabilitation.**

Taxes and Civilization

Taxes are the price we pay for civilization—for the public services most people need and want.

While most tax systems today are much more logical, fair, and efficient than years ago, they must continue to be studied and improved. All citizens can help by

(a) judging taxes by their purposes and values to society;

(b) keeping informed on public needs, budgets, and tax plans;

(c) urging others to base their views on facts, not rumors;

(d) cooperating in constructive efforts to improve tax systems;

(e) insisting on expertness in public office and services;

(f) informing public officials of their views on public services; and

(g) voting intelligently at elections, especially those involving tax rates and bonding.

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* Groves, Harold M. *Financing Government*. Fifth edition. New York: Holt, Rinehart and Winston. 1958. p. 448.

** Based on data in the *1959 Annual Report* of the U. S. Department of Health, Education, and Welfare. p. 217-18. [Figures were updated on the basis of the *1963 Annual Report*, p. 340-41.]

A Changed View of Government

Robert H. Wyatt (5:42) in 1961 proposed new insights as to the role of government in our economy:

> . . . we must come to view government as a part of our economy, rather than as a burden that the economy itself must carry. Opponents of adequate school financing seem to be waging a campaign to discredit not only school taxation and school financing, but taxation and even government itself. They tend to belittle people who are engaged in education, in recreation, in sanitation, or any governmental area, and to label proposed expenditures for park systems, highways, or perhaps our schools as lavish and wasteful, rather than as an investment in human resources. It seems to me that we must develop among school people, and among the public generally, something of a new concept of the place of government in the economy. We have some eight or nine million people working in government in this country, rendering services which for the most part can't be produced by private enterprise.

References

1. National Education Association, Committee on Taxation and School Finance. *Citizens Speak Out on School Costs.* 1959. p. 62.
2. *CEF Report,* August 1960, no. 2, 16 p.
3. National Education Association, Committee on Educational Finance. *Taxes Contribute to Progress.* May 1960. 25 p.
4. National Education Association, Committee on Educational Finance. *Taxes Are Good.* 1961. 16 p.
5. Wyatt, Robert H. "A Program of Action." *Financing Education for Our Changing Population.* Proceedings of the Fourth National School Finance Conference. 1961. p. 41-44.

V. Raising the Funds—The Role of Local Government

Throughout its existence, the Committee on Educational Finance has emphasized that the locality has a vital role to play in the financing of public schools. A Committee report (1:35-36, 38-40) in 1960 summarized the responsibilities and problems of the local community in this area. Excerpts from this report follow.

Overview of Local School Support

In the typical community in the United States, more than half the money to finance public schools comes from the locality. In many other respects as well, the local community is far more important in its relation to schools than is true in other nations. People in the local community like to have a substantial say as to how their schools shall be run. Accordingly, the state usually delegates much of the management of schools to the locality. Adaptation to local conditions and needs is possible. Experimentation is encouraged. Innovations which succeed spread to other communities. All of these factors encourage local interest and initiative which are basic in the unique systems of public education in the United States.

LIMITATIONS OF THE LOCALITY

While the locality plays a major role in public education, it has its limitations in financing education. The typical locality is mainly dependent on the property tax for the financing of schools. This tax, although useful, is inadequate as the major source of school support. Communities differ greatly in taxable capacity. It is not uncommon for local school districts in a state to differ as much as 100 to 1 in ability to pay taxes. The poorest districts cannot finance satisfactory schools even on confiscatory tax rates. . . .

INEQUALITY OF EDUCATIONAL OPPORTUNITY

Education is financed at a starvation level in many communities which have little wealth and in which the schools are dependent largely on the property tax for support. Children and youth in such localities do not enjoy their full educational birthrights. On the other hand, some communities which possess both high taxable capacity and deep educational understanding provide excellent opportunities for their children and youth, and often also recognize the importance of educational opportunity for their adult population.

LOCAL ACTION FOR BETTER SCHOOL SUPPORT

Improvement in local financial support of schools can be achieved in many communities. This will require a stepping up of community understanding of the relation of adequate school support to quality education. It will also require a number of legislative and administrative actions of a fiscal nature.

THE LOCAL PROPERTY TAX

Nearly all local school money comes from the local property tax. This tax has been a stable source of revenue for local government. It has been a mainstay of public-school support in the past and should continue to be in the future. It is well suited for local use.

However, the property tax has limitations. It is slow to respond to general economic growth, and comprises a declining portion of total tax capacity. It sometimes correlates poorly with ability to pay. Also, in many communities, extreme variations in property valuations per pupil sharply limit the percent of the local school budget which the property tax can support.

. . . . .

In nearly all states and localities there are certain reforms which should be made in the way the local property tax is administered. These reforms are essential if this tax is to be levied in a way which is fair to the taxpayer and adequate in raising the share of school costs it is expected to finance.

UNIFORM AND EXPERT ASSESSMENT OF PROPERTY

Assessments frequently do not keep pace with actual or full value of property. Great inequalities exist in assessment of individual properties in any given locality. Also the typical ratio of assessed value to real value of property varies according to the kind of property. . . .

A major reform needed in nearly all states is to get property assessed at full value, or in any case to get it assessed on an equalized basis, so that parcels of property of the same real value are assessed at the same amount.

Reform of tax assessment procedures is possible, but it usually requires legislation providing for expert rather than political assessments.

The state should set standards as to the qualifications of local officials concerned with the administration of the property tax and should supervise the work of these officers to insure efficient and equitable performance.

EXEMPTION OF PROPERTY FROM TAXATION

The total value of taxable property in a locality should not be decreased by improper exemption from taxation for favored groups of taxpayers. When this occurs, it reduces the amount of property tax revenue which can be raised and places an unfair share of the cost of all public services on the property which is taxed.

Some partial exemptions, such as those on homesteads, are mandated by state legislation; others result from local decisions.

Five states—Florida, Georgia, Louisiana, Mississippi, and Oklahoma—now allow a partial exemption for homesteads. Fourteen states allow veterans a partial exemption. Several states exempt personal property. The total value of partially exempt property in the 48 states is about $8.0 billion, of which $4.2 billion is the homestead exemptions of the five states named above.

Practices and proposals for partial exemption of property from taxation should be critically scrutinized. They penalize a community and may confer unjustified favors on the individuals exempted. On the other hand, it may be desirable to remove broad classes of property (personal tangible and intangible property) from this tax base for taxation under a new tax designed as a fairer measure of taxpaying ability.

STATE LIMITATION OF TAX RATES

Many states place unduly restrictive limits on local property-taxing powers. The state should not arbitrarily limit the rates which a board of education and the people of a community may levy on taxable property for the financing of current expenses for schools. It should be up to the people locally to decide. Tax limitations are most crippling when assessments are far below full values. A tax limit of 15 mills on property becomes only 5 mills when property assessments are allowed to drop to one-third of full value.

Some states are taking steps to correct these conditions. They are increasing the tax limits and a few are basing limits on full value of property.

LOCAL NONPROPERTY TAXES

The legislatures of some states have authorized certain local nonproperty taxes to supplement those collected on property. In some large urban or metropolitan areas such taxes are feasible, but in the typical small school district they would not be practical unless administered jointly over a large area. No matter what taxing powers localities have, they will still differ markedly in ability to pay taxes.

SCHOOL DISTRICT CONSOLIDATION

Consolidation of excessively small and often inefficient school districts is desirable from fiscal and other viewpoints. Such action reduces the range in local ability to finance good schools, and increases ability to provide administrative, supervisory, and other essential school services. Consolidation also may result in a student body large enough to make broad curriculum offerings economically feasible.

Local Nonproperty Taxes

The CEF Report, April 1960, No. 1, gave data on local school taxes levied in 1957-58 in Pennsylvania under the 1947 Act, 481. This state is of special interest since it has gone farthest in permitting localities to levy a wide variety of local nonproperty taxes for school support. Under Act 481 in 1957-58, 2,402 school districts levied 2,837 different taxes.[1]

Views of a School-Board Member

L. L. Ecker-Racz (2:25-30), a school-board member in 1964 dealt with problems confronted in raising adequate funds at the local level. Excerpts follow.

Public schools dominate American public finances, second in dollar magnitude only to national defense. The preoccupation of the public information media with the federal budget sometimes obscures the fact that in our governmental system more than half of the public spending for domestic government occurs at the local government level, relatively little at the federal level; and that in local spending, public schools are responsible for the lion's share.

. . . . .

There is much in public finance and particularly in taxation you and I might explore with profit, for the central dilemma is still unresolved: How to obtain adequate financing for the critically important function of public education when (1) political ideology continues to clamor for local level responsibility, while (2) the incidence of the educational product, the uneven geographic distribution of fiscal resources, and ideology of taxation call for nationwide tax support.

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[1] Stafford, David F., *Financing Public Education in Pennsylvania.* Harrisburg: Pennsylvania State Education Association, April 1960. p. 2.

The role assigned me for today, however, is that of a school board member, not that of an economist. My purpose: to focus your attention on some matters which handicap those of us responsible for school policy. . . .

. . . One task, however, stands out above all others. The school board member's number one task is to maximize his community's support of the public school program, support backed up with appropriations. Now and then one of us does take a direct hand in shaping the content of school programs or takes sides on pedagogical issues. Most of us, however, are without particular competence in these specialties and prefer that the administrator resolve them. Our feeble talents can more constructively be employed in other directions.

The task of increasing the allocation of community resources to education is paramount because, despite the significant strides made since the Second World War, public education remains woefully underfinanced. This generalization is more true of some states and communities than of others. It is particularly true of the densely inhabited urban cores where relatively very heavy school and social service needs confront relatively meager fiscal resources. In some measure, however, it is true substantially everywhere.

The case for additional school support is compelling so long as the system over which the school board member helps to preside falls short of affording each and every youngster every educational opportunity, save only that beyond his capability. The job is unfinished so long as children are allowed to reach the end of their teens without having fully developed their capability to progress toward a satisfying life, each to his own taste and talent. If I may borrow from one of your ex-coworkers, Chairman Walter Heller of the Council of Economic Advisers:

> "Equality of opportunity is the American dream and universal education our noblest pledge to realize it."[1]

. . . . .

. . . Why then, is public education support inadequate? Why are we so easily put on the defensive in debating appropriation requests, so often maneuvered into the posture of seeming to screen the school administration from close public scrutiny? School board members groping for ways to sell their constituencies on the need for larger school funds return to this question over and over again.

High on my list of obstacles to adequate school support is our inability to demonstrate in tangible terms the value of an added dollar of input into education, i.e., the lack of an acceptable yardstick for measuring the educational product. This lack is keenly felt particularly in communities in which the expenditure level (cost per pupil) is substantially above that prevailing in surrounding areas. Low expenditure systems can fall back on seemingly favorable comparisons with their neighbors. Income statisticians have established that each additional year spent in school adds significantly to our children's prospective lifetime earnings. This much is clear. But, we know next to nothing about the relative productivity of alternative inputs into the educational system. The economist's concept of substitutions at the margin, where the several factors of production compete with one another for the additional dollar, is ignored if not totally rejected by educators.

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[1] *Economic Report of the President*, together with: Council of Economic Advisors. *Annual Report*. Washington, D.C.: U.S. Government Printing Office. 1964. p. 56.

. . . . .

Citizens weaned on the rationality of the market place find it difficult also to reconcile our plea for additional school activities and for more staff, on the ground that these will improve the quality of education, with our dogged determination to hold on to every component incorporated into the school program in bygone years.

Pedagogy, understandably, has its own fashions. This alone does not present a problem. It becomes a problem only because as we follow one fashionable project with another—educational television, teaching machines, group teaching, itinerant foreign language, music, art, and physical education instructors for the elementary grades, educational secretaries, lay readers, cafeteria attendants, etc.—the dogma permits only additions, never substitutions. Well-meaning citizens, accustomed to business and government practice, find it difficult to reconcile this one-way traffic with tight, businesslike administration.

Since you are about to give some thought to the allocation of your research resources among competing claimants, I would urge a high priority for developing measures of productivity, to aid in the rational allocation of limited school resources and to help school board members to increase these resources.

In an inventory of the factors which mar the public's image of the public school institution to the detriment of financial support, I would list next the drive for political and professional isolation—the inclination to operate the schools separate and apart from every other activity of local government. Americans are too thoroughly wedded to the proposition that an increased scale of business operations affords economies, to willingly accept a dichotomy in local government organization, with schools on one side and general local government on the other. They suspect and many even take it for granted that there is waste when school administrations go it alone, when schools and county or city administrations maintain duplicate organizations for building and ground maintenance, for motor vehicle and equipment maintenance, for procurement, insurance, and payroll activities, or for public health and psychological services, to mention only some of the common duplications.

While substantial progress can be reported from some states in the consolidation of school districts, the potentials for economy through administrative cooperation between the public schools and units of general government remain mostly unexplored.

. . . . .

I appreciate that the separatist inclinations of the school administrator stem from the shameful neglect of public education in past decades. The plight of some of the school systems during the 1930's is still fresh in the minds of the older among us. There is no doubt that a separate organization with its special purpose pressure group enabled school interests to mobilize political strength in behalf of public education; that without benefit of a united front and some political militancy, public education would have advanced very much more slowly. But more recent progress in some communities has rendered the old prescription obsolete. Even the touching fidelity with which parent-teacher organizations support all of our budget requests seems misplaced at times.

. . . . .

. . . my inventory of institutional rigidities includes one which, for want of a better phrase, I call the monolithic personnel doctrine of public education. I see it as having two parts: the concept that most functions in the school system can be performed only by those with classroom experience; and the concept that any classroom function is as important to the school program as any other, and, therefore, should be compensated on the identical scale. Both seem to depend on the proposition, also loudly proclaimed, that the quality of teaching is not measurable.

Parents busily engaged in guiding their children past the scrutinizing eyes of college admissions officers and contending with the emphasis on "hard" academic subjects, can't fathom the logic of a unitary salary structure. . . .

. . . . .

As time goes on, the need for close working relationships between all governmental organizations becomes progressively more imperative. Improved public understanding of the causes of school dropouts, juvenile delinquency, and most recently, of large pockets of poverty amidst economic affluence, is making it very clear that (1) public education is of even greater importance to national survival than hitherto appreciated; and (2) that its goals cannot be attained by the schools alone. You recall the compelling statistic in President Johnson's recent *Economic Report:*

> Poverty and ignorance go hand in hand:
>
> Of families headed by a person with only a grade school education, 37 percent are poor. Of those headed by high school graduates, only 8 percent are poor. . . .

And his conclusion:

> We must upgrade the education of all our youth, both to advance human wellbeing and to speed the Nation's economic growth.

And the statement of the Council of Economic Advisers:

> Our Nation's most precious resource is its people. We pay twice for poverty: once in the production lost in wasted human potential, again in the resources diverted to coping with poverty's social by-products. Humanity compels our action, but it is sound economics as well.[2]

Progress in resolving these grave national problems will require concerted cooperation among the various disciplines and specialties available to local communities but scattered through school, city, and county administrations, the judiciary, and private organizations. A community-wide effort is needed. So long as rigidities within one or the other impair cooperation among all segments of the community, the urgently sought national goals will be needlessly delayed.

The multipronged, community-based approach implicit in President Johnson's war on poverty affords the public schools an unequalled opportunity for a leadership role in this promising national effort. The public schools dare not forfeit this opportunity. This is a program for the young, to help them escape poverty. The objective it seeks is vitally important to the nation. This program can serve as the vehicle for more intimate involvement of our teachers with the community, a role they found so rewarding in bygone days. And most importantly, out of this kind of involvement with municipal and county employees, with those in private organizations, and with others who otherwise are untouched by the public school apparatus, can develop a broader community base for the support of public education.

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[2] *Economic Report of the President, op. cit.* p. 15, 56.

In fairness to the public school community, it is well to recognize that its separatist tendencies derive substantial support from a philosophy of government deeply rooted in some dearly cherished democratic traditions. Keeping decision-making close to the people with direct access to the electorate was sound political doctrine when rural society characterized this country, when communities existed in isolation from one another, and the American was typically born, raised, and lived out his life in the same part of the country, if not the same community.

In earlier civilizations, provincialism in public programs was sound philosophically and fair economically. It has some limitations, however, for the interdependent and interrelated society characterized by urban concentration, economic specialization, and mobility. Each year during the past decade about 10 million persons moved across county lines, half of them across state lines, carrying with them everywhere the effects of the omissions and commissions of local school systems. The public school community is now truly the nation. I daresay that if the Jeffersonians were developing a governmental organization in today's environment, they would not limit the function of public education to the resources which chance to be located in individual communities; they would give it some access to the nation's collective resources.

Budgetary Procedure

The Committee in one of its 1960 studies (3:31-34) dealt with the local school budget. Excerpts follow.

Each community in the United States annually prepares a school budget, which defines the school program, what it will cost, and how the money is to be raised. A budget, however, is far more than a statement of costs and sources of money. It states in financial terms the community's ideas as to what it expects from its investment in education. The school budget is the community's financial answers to a number of critical educational questions.

CRITICAL EDUCATIONAL QUESTIONS

- Does the community look upon its schools merely as custodial agencies which keep children and youth off the streets and which teach them a modicum of knowledge and simple skills? Or does it expect its schools not only to transmit knowledge and skills, but also to yield returns in better-informed citizens, more trained manpower, better use of leisure time, increased productivity, higher living standards, and greater national security? These are the returns which nations receive when they invest generously and wisely in education.
- Does the community expect its schools to treat pupils as automatons, to be taught and tested on a mass basis, expected to conform to a single curriculum, with many leaving school with a sense of failure at the end of elementary school or soon thereafter? Or does the community expect its schools to treat pupils as individuals who vary enormously in abilities, interests, and goals, and to develop fully the talents of each individual pupil?

THE SOURCES OF QUALITY IN SCHOOLS

Research has shown that the two most powerful factors in producing quality education are what a community expects of its schools and what it spends to finance them. If it expects little and spends little, the educational returns are likely to be small. If it expects much and spends much, the educational returns are likely to be large.

. . . . .

. . . few budgets are accompanied by information as to just what quality of schooling a proposed budget is expected to buy.

The typical budget authorizes less than is needed to provide first-rate schooling for all pupils. This is to be expected from procedures usually followed. Estimates are made of minimum financial needs of the schools. These estimates are then cut to take account of estimated revenues, these being limited by ability or assumed willingness to pay, arbitrary tax limits, underassessment of property, inequitable sharing in school costs by state and federal governments, and other obstacles to adequate support. Even this minimum budget may be further cut in communities where review by some other agencies determines the final amount. This procedure year after year is at the root of inadequate school support in many communities.

ESTIMATING A QUALITY BUDGET

Another column should be added to school budgets which would be known as the quality budget as opposed to the official or actual operating budget. This quality column should include estimates of amounts which the board of education would have voted if the various pressures and arbitrary restrictions which dictated the "shaved down" or "cut to the bone" official budget had not been operative. The major criterion in determining amounts in the quality budget would be the best judgment of the board of education as to what it would cost to give every child and youth *the best education it knows how to buy.*

The quality budget would have no official significance. The official budget would still be the expenditures authorized for the ensuing year. The quality budget, however, would permit the board of education and the citizens of the community to know how far fiscal rather than educational considerations were determining the school budget.

To know whether a budget is sufficient to finance quality schools, one needs to ask a number of searching questions:

1. What class size will the budget finance? Does it contemplate individual or mass instruction?

2. Will the budget provide modern instructional materials?

3. Does it provide for specialists to aid teachers in improving instruction in arithmetic and reading?

4. Is there provision for developing instructional programs to meet the needs of certain special groups, such as the physically handicapped, the slow learners, and the academically talented?

5. Is there provision for counseling and guidance programs to aid pupils and parents in planning educational and vocational careers?

6. Is the salary schedule one which will attract and hold quality teachers—one which pays beginning and average salaries comparable to those paid other professionals in the region?

7. Is a summer school provided to meet the special needs of those who would otherwise be required to repeat a grade at a full year's cost, of pupils qualified to make an extra grade, and of highly gifted pupils?

8. Is there provision for a program using school buildings as community centers, and for recreation activities using school playgrounds after school and during the summer vacation?

9. Is there a sufficient number of fully qualified school administrators to provide the school system with dynamic leadership?

10. Is there a program for the orientation of new employees?

11. Is a penny-wise and pound-foolish policy being avoided by making school-plant repairs and improvements as needed to increase the schools' attractiveness, safety, and general educational effectiveness?

12. Is there a long-term plan for meeting future school-plant needs, including the purchase of desirable sites readily available now but likely to be available only at prohibitive costs if purchases are too long deferred?

Affirmative answers to such questions regarding the budget as those above will be decisive in determining the quality of the schools of a community.

John Guy Fowlkes (4:80) in 1963 further emphasized the need for sound budgetary procedure.

The budgetary process seems inevitably to be intimately intertwined with educational innovation. The foundations of most school budgets seem to be inherently antagonistic to the support of educational innovation. In the first place, it appears that too often local school systems are most concerned about how their school budgets compare in amount with those of other communities of similar size. Such matters as length of school term, breadth and depth of curriculum, and quality of teachers—reflected in even as crude a measure as amount and recency of formal education, contribution to professional and general literature, and so forth—are often ignored in comparing school budgets.

Nearly universally neglected is any real consideration of the sociological, economic, and cultural status of communities when school budgets are being compared. Why should the size of the school budget in community A be of any real consequence or concern to community B? It would seem that the critical question should be: Is the budget of a given school system adequate to provide the kinds and amounts of educational opportunity that boys and girls need and desire, furnished in accordance with the highest feasible quality of excellence, and administered in an efficient manner?

Erick L. Lindman (5:14-15) in 1964 explored the dimensions of budgetary procedure.

During recent years we have heard much about performance or program budgeting as a means of presenting to decision-making bodies information more relevant to the choices they must make. These efforts are especially timely in the field of education. Educational values and dollar values are difficult to compare, yet the comparison of these two types of values is the essence of school budget-making.

Time and again the school board must compare the educational values of several possible ways of spending a specific amount of money. For example, if the current expense budget of a school system is to be increased by 10 percent, a choice must be made from among several alternative ways of spending the added funds. Will the greatest educational value be obtained by: adding to the elementary school libraries? buying more language laboratories? employing additional counselors? creating more special programs for the gifted? establishing more special programs for the retarded pupils? transporting pupils to schools in different parts of the city to achieve more uniform racial balance? These are but a few of the many possibilities the school board must consider.

Difficult as this choice may be, the problem becomes even more complex when the tax rate dimension is added. Should taxpayers be asked to contribute more so that one or two of these additional educational services can be provided for children and youth in the community? This question calls for a comparison of the value of an educational service on the one hand, and the financial sacrifice of taxpayers on the other.

Still another dimension of complexity is added to the problem when special earmarked state or federal aids are available to support special aspects of the instructional program. For example, during recent years foreign language teaching laboratories have been available to local school districts at half price because Uncle Sam paid the other half of the cost under the National Defense Education Act. Budgetary choices are affected by several kinds of partial reimbursements from external sources.

Although the process of comparing dollar values and educational values cannot be simplified, it can be clarified to a much greater extent by better accounting procedures which show more clearly the effect of earmarked aids upon the budgetary choices and the net cost of partially reimbursed educational programs.

Long-Range Planning for Local School Revenues

H. W. Schooling (6:67-68) offered the following as a basis for long-range planning for local school financing.

. . . in projecting long-range plans for local revenues, it would seem reasonable to assume that:

1. Local financing will continue to be a significant aspect of the total pattern of school support.

2. The property tax will continue to be the major source of local revenue.

3. Efforts to increase revenue from the property tax will be met with increasing resistance.

4. Competition for local tax dollars from other governmental agencies, including those serving special educational needs, will increase.

5. Urbanization will produce increased inequities in local support in metropolitan areas.

6. Increasing involvement of citizens as a means to develop understanding of the fiscal problem confronting the schools is essential and will require a high order of administrative leadership.

7. Citizens generally find the means to support those things which they believe in and consider essential. Quality education does not yet have the high priority adequate financing will require. Faith and commitment to education must be developed, and this must be done to a major degree at the local level.

8. A plan to reward local effort through supplemental allocation in the state financing program has merit. This would encourage support of local levies and if related to effort rather than amount of money produced, would be advantageous to all types of districts.

9. Equitable property assessments must be assured not only to make the tax equitable but to promote a climate conducive to public support.

10. A graduated rate, if administratively feasible, might minimize the regressive features of the tax, thereby enlisting somewhat more support. For example, it might be possible to use a factor of say 0.75 on the first $5,000 of assessed valuation, thereby provid-

ing some relief for home owners, particularly those in modest circumstances.

Long-range planning for local financing of education must take into account three basic factors: a recognition on the part of the public (a) that public education is important and significant, (b) that there is a positive relationship between expenditures and quality of program, and (c) that the amount of local support, provided primarily through the property tax, will continue to be a decisive factor in making provision for the kind of educational opportunity appropriate and essential for our times.

Significance of the Property Tax for School Finance

In 1958 the Committee issued a bulletin which emphasized the fundamental importance of the property tax for local school support. Excerpts from this study (7:5-8, 11-14) follow.

The entire fiscal structure of local government rests upon the general property tax. From the very beginning our cities, towns, and counties have depended upon the property tax to pay for adequate police and fire protection, education, health, and other necessary public services. . . .

Despite its importance to local government functions and especially to public education, it is a poorly administered tax that has undergone few improvements over the many years we have used and depended upon it. In recent years, however, the citizens of several states, trying in desperation to find ways to support more adequate local services, have focused attention on the property tax and demanded reform. . . .

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. . . According to Newcomer,[3] the extra-legal reductions in the assessments of personal property (because of underassessment and because of failure of the assessor to locate and place items of personal property on the roll) are, from a revenue standpoint, more important than the legal exemptions.

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The property tax is the pivotal tax in the local revenue systems of almost all municipal governments and independent school districts. The property assessment, tax levy, and tax collection, all within the local tax district, stimulate citizen interest and participation in the community's school program. Although state aid is essential to the support of public schools, school finance people generally oppose a complete transfer of fiscal responsibility for public education from the local school district to the state. Many school finance theorists observe some connection among three phenomena: reliance on local sources of revenue (within the limits of the community's fiscal ability), citizen interest in the schools, and a well-supported education program. Too much reliance on the local property tax may prejudice the taxpayers against public education, while too little reliance on the local property tax for support of schools may foster local indifference to the school program.

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School officials, even those in fiscally independent school districts, rely on county or other municipal officials for the functions of assessment and collection of the property tax. Even so, local and state school officers can do much to influence improved assessment procedures by actively supporting legal and administrative reforms in property assessments.

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[3] Newcomer, Mable. "Property Tax Trends." *Proceedings of the Forty-Sixth Annual Conference on Taxation.* Sacramento, Calif.: National Tax Association, 1954. p. 50.

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REFORMS OF THE PROPERTY TAX

Jensen described the evolution of the property tax in America as an endless tinkering with details.[2] In the past 30 years, property tax laws have undergone two major reform periods: one to restrict the productivity of the tax and the other to increase its productivity.

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CHANGES IN THE BASE

The records of the National Tax Association indicate that among all the major taxes the property tax has been subject to the most criticism and the most piecemeal reform. At this date, neither the critics nor the reformers are placated. . . .

In a complex economic society all forms of wealth are difficult to search out and assess under the general property tax. Some wealth assets can be taxed with more equity by taxes other than the general property tax. Intangible personal property (paper evidences of wealth) is the most difficult form of wealth to locate and assess for local property tax purposes. . . .

Real estate has proved most susceptible to the property tax because it cannot be hidden from the assessor and because ownership of real estate is a matter of public record. Because of difficulties of location and assessment of other kinds of property for local tax purposes, the base of the general property tax is now largely real estate. . . .

James A. Arnold, Jr., Chief, Tax Research and Statistics, New Jersey Division of Taxation (8:59-64), pointed out that the property tax will continue to be a principal source of school revenue and offered suggestions for its improvement.

. . . public schools are stuck with major dependence upon property taxes for a long time to come. This little fact of school financial life suggests a transfer of some of the energy which has gone into berating the property tax to the more productive purpose of making it work.

RESIDUAL TAX

The property tax is the residual tax support for local services in every state. In contrast to other taxes which apply at established rates until such time as they are changed by legislative action, property taxes are adjusted each budget period in a manner to provide that part of budgeted expenditure not covered by anticipated receipts from all other sources. There may be some exception to this easy explanation in places where rigid tax rate limits apply, but the general picture of the property tax as a residual tax remains unchanged.

New Jersey is an example state where the residual character of the property tax is very much in evidence. There are no property tax rate limits in New Jersey. . . .

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Whatever the future holds in the way of tax change, New Jersey and other states can expect local property taxes to carry a major portion of local school costs for a long time. . . . The best that can be hoped from even a drastic "replacement" program is that future increases will be spread over a wider base and the degree of dependence upon property taxes will be less major than it is now.

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[2] Jensen, Jens P. *Government Finance*. New York: Thomas Y. Crowell, 1937. p. 246.

PROPERTY TAX ENVIRONMENT

Property taxes and property tax procedures developed before the day of calculating machines and punch card systems. Administrative methods which would be regarded as intolerable in any other of the newer tax forms have long since acquired institutional status in the case of local property taxes. The softness with which even the most venturesome state equalization authorities tread in the field of local property assessments bears witness to the venerability of practices which have little besides age and custom in their favor.

Catastrophic tax defaults during the depression years of the 1930's accelerated an already evident trend toward "property tax replacement" throughout the nation. It became commonplace to look upon property taxes as something more easily replaced than repaired. In some of the states, property taxes were substantially reduced and rigid tax rate limitations were applied to keep them that way. In nearly all states they were supplemented with revenues from other sources. Vastly increased state financial aids to local schools became the order of the day, and some students of taxation even contend that the property tax was on its way out. Inadequacies of local property tax administrative procedures became all the more apparent in the face of what seemed an inadequate revenue potential.

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No tax measure can be considered as something wholly apart from the environment in which it operates. The decline in relative position of the property tax as a source of school support during the past generation occurred simultaneously with the expansion of state and local tax structures to include such new tax forms as sales taxes and income taxes. . . . It is probable that the next generation will not witness the same de-emphasis of the property tax as did the last generation, for the simple reason that there are fewer nonproperty tax sources left to be adopted. More and more the choice will become that between increasing the property tax or increasing some other tax already in use. This is a different choice than one between increasing the property tax or reaching into virgin tax fields where there is the prospect of picking up new taxpayers.

Like all generalizations, this one has been overdrawn a bit, but it does imply that from here out property taxes and nonproperty taxes will share whatever growth occurs. Some of the states which have travelled the farthest down the road of property tax replacement are now looking for ways to shift some of their new revenue requirements back to the property tax. Witness efforts to revalue property in tax-rate limit states like West Virginia, where it is charged that property does not carry as much of the tax load as it should.

BASES FOR IMPROVEMENT

There remains the question of what to do by way of improving the property tax. At the risk of appearing categorical, the following areas of action are offered as bases for further development:

1. **Assessment districts in most states are too small and should be enlarged, even to the point of providing for state assessment.**

Sound property assessment is a complicated technical function which requires qualified personnel and adequate facilities. Traditional passion for home rule is a poor excuse for leaving the apportionment of property taxes to the part-time untrained and poorly equipped assessor. Reason suggests that home rule relates to the preparation of budgets and the levying of taxes rather than to the technical function of assessing property. If we mean what we say about the desirability of uniform assessments, there is no room for local adjustment or negotiation. The saddest part of most state equalization programs is the frustration of even the most precise standards for uniform assessment as they are actually applied at the local level. The best equalization program is a poor substitute for good initial assessments.

2. **Property assessment equalization procedures should be clearly and simply stated in a manner capable of application without resorting to the mysticism of ritualistic formulas vague in definition and questionable in results.**

The statistical operation of an equalization table is neither complicated nor mysterious. It requires nothing more than systematic compilation of sales or appraised values and a comparison of those values with actual assessments for the same properties. Adequate weighing of different classes of property is both possible and practical, but it requires realistic data-gathering as a basis for the classification. New Jersey follows the practice of obtaining records of deed transfers from county clerks and submitting lists of all transactions used in the determination of local assessment ratios to local officials in each taxing district who may question the inclusion or exclusion of any item. The equalization table developed from such compilations is a matter of simple arithmetic which anyone interested enough to do so can apply for himself.

Foundation school programs supported by state equalization aid can succeed in their purpose only if they rest upon equalized valuations capable of commanding respect. Because the equalization has meaning only as a measure of local taxing capacity, it defeats its own purpose if it reflects anything except what can be taxed. Here is one feature of the property tax environment which no school financial officer can afford to compromise.

3. **Personal property is not now, and never has been, truly a part of the general property tax base measured by "true value" and should be replaced or assessed according to more appropriate standards.**

Traditional assessment of personal property under general property tax rules has reduced this part of the tax to a "negotiated contribution" in too many states. Although this criticism is especially pertinent in the case of intangible personalty, it applies to most tangibles as well.

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4. **The only dependable protection against discriminatory tax treatment for any taxpayer is the full application of the law to all taxpayers.**

It is an old story in property tax circles that tax law and tax practice are not always the same thing. This observation applies to the common practice of assessing at something less than the full statutory standard as well as the assessment of different properties, or different classes of property, at different levels. A little reflection suggests that any taxpayer who seeks the kind of "understanding" with local taxing officials which places him in a "favorable tax position" is in fact seeking destruction of the only protection he has against becoming the victim of similar "favorable tax positions" for other taxpayers. The property tax appeals procedure in too many jurisdictions is mutilated by the recognition that statutory standards are not applied and thus are not effectively available as a basis for decision.

Aside from the equity considerations involved, school financial officials should see in this practice of extralegal assessment practices a process of eroding their tax base through competitive favoritism and a general taxpayer resistance born of distrust in the integrity of the tax itself. A good rule to remember is that if the law cannot be applied to all taxpayers as it reads, it is the law that needs to be changed.

5. Property tax exemptions in general, and homestead exemptions in particular, have the effect of separating benefits of tax-supported services from tax responsibility.

Property tax exemptions have the effect of shifting tax responsibility to such property as remains taxable after the exemption. In the absence of rigid tax rate limits, this shift is direct in the form of higher tax rates to offset the exemption. Where rate limitations are rigid, the shift is less direct, but none the less present. Exemptions for home owners have particular significance in school taxes because they have the effect of transferring taxes from the very citizens who are most concerned with the public school program. By transferring school tax responsibility to rented properties and to business properties, homestead exemptions have the effect of requiring these properties to carry the tax costs for the most expensive of all local services intimately associated with pride of neighborhood and home ownership. This shift compounds the conflict in interest between large taxpayers and small home owners who rarely pay their own school costs even without any exemption.

Aside from serious erosion of the property tax base, homestead exemptions can create problems of taxpayer resistance to any increase in local school budgets. If anyone should not be excluded from the school tax base, it is the home owner.

6. Any adoption of rigid property tax rate limits should be supplemented by the provision of an alternative residual tax source.

Sound budgeting requires that there must be at least one tax source flexible enough to permit annual adjustment to round out revenue requirements. In American tax practice this flexible source is the property tax. Even the state governments which have abandoned property taxes in favor of their local governments have standby property tax authority to pledge for their bond issue and to use in the event they get into financial trouble. It is a common provision of tax rate limitations that debt service requirements are wholly or partially excluded and that additional taxes can be imposed by referendum.

There is no technical reason why another tax cannot be used as a residual tax source. For example, a sales tax or an income tax could be subject to annual rate adjustment.

7. The property tax base is the value of the property, and the property tax should not be judged in terms of any other base.

It is an old custom to criticize one tax because it does not follow the pattern of another. Sales taxes and property taxes are criticized because they create tax apportionments different from what would prevail under an income tax. Income taxes are criticized because they are not related to the amount of property owned. Realism requires a recognition that the pattern of tax distribution is determined when the tax base is selected and any decision to change the distribution should include a change in the base itself.

Property taxes originally developed as "ability to pay" taxes. They rested upon the assumption that ability was evidenced by wealth which was in turn evidenced by property ownership. No small part of the complications which have developed in the property tax are the product of efforts to change this concept without changing the tax itself.

Property Assessment and Local School Support

The Committee on Educational Finance has repeatedly emphasized the importance and complexity of local property assessment. A 1958 bulletin (9:6-31) dealt with this problem. School people were urged to work with laymen for reform of property assessments. The following are excerpts from this study.

The property tax is condemned on three counts: on equity, on productivity, and on its use as a measure of local fiscal ability. These charges stem largely from the assessment of the taxable property which is the base of this tax.

Equity—Assessments which are based primarily on valuations of a former period do not have current equity for distributing the burden of the tax among taxpayers either within the taxing districts or among the taxing districts of the state. . . .

Productivity—As a revenue source the property tax, because of its assessment, is failing to meet the rising costs of governmental and school services. Many local districts have reached the inelastic tax rate and debt limits which are fixed by state statutes or constitutions as percents or ratios of the assessed value of property within the tax district. . . .

Measure of local fiscal ability—Obsolete and inequitable assessments cannot serve as a measure of the relative fiscal capacity of local districts for purposes of equalization in the apportionment of state aid or for purposes of levying a state property tax. Some local assessors have kept their valuations low in order to qualify their districts for more state aid or to minimize the burden of a state property tax on taxpayers within their districts. . . .

BASIC PROBLEMS IN ASSESSMENT AND EQUALIZATION

The problems in property assessment stem from the nature of the values of real estate in a complex and changing economy. For sales and income taxes, the base of the tax, which corresponds to the assessed value, is available from the expression of income and sales or expenditures in terms of dollar amounts. Furthermore, the bases of income and sales taxes fluctuate automatically as barometers of economic conditions. This is not true of the property tax as it applies to real estate.

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FROM AN AGRARIAN TO AN INDUSTRIAL ECONOMY

In the simple agrarian economy of the eighteenth and nineteenth centuries property assessment presented few problems. The farmer, as well as the urban dweller, was considered a fairly good judge of the value of other properties in the community in comparison with his own. Basic problems in assigning values or assessment arose as real estate became increasingly diverse in economic use. Assessment of real property today is a complicated procedure. Equitable assessments require knowledge of the values and relative values of many different types of property—urban and rural; improved and unimproved; forest, pasture, and mineral; commercial, residential, and industrial; and many subclasses and combinations of classes.

VALUES RISE AND FALL

The assessment procedure has become a more complicated process on still another count. Historically, real property was considered to have a stable value in comparison with other wealth phenomena in the economy. More recently, we have become acutely aware that real property values rise and fall, somewhat sluggishly and behind, tho still in concert with, other forms of wealth. The valuations of real estate for tax purposes must respond accordingly if the property tax is to improve or at least maintain its position as a revenue producer.

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DETERMINING THE VALUE FOR TAX ASSESSMENT

Value refers to the price of real estate, the dollar amount traded for ownership of a parcel of real property. No confusion arises until the assessor attempts to find such a value for every parcel of property on the assessment roll.

VALUES FOR TAX ASSESSMENT

The term *value* in real estate assessment for property tax purposes needs further definition. Ellinwood has listed 52 separate descriptions of value to illustrate the wide variations in concepts of value in regard to the base of the property tax.[9]

State courts have frequently, but not consistently, interpreted the statutory definition of *value* for tax assessment purposes to be that price arrived at in a free market sale. . . .

FINDING THE FAIR MARKET VALUE

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The schedule of costs which the assessor adopts can be tested by comparing it with recent sales, appraisals, and data from income capitalization. This method of assessment—summation of unit costs—has two advantages: (a) It is inexpensive in comparison with methods used by professional appraisers. (b) It produces a high degree of equality of valuations among similar types of properties since the same unit-cost schedules are used, and a degree of equality among all types of properties since the schedules of unit costs are related.

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LEVEL OF ASSESSMENTS

In property taxation, the level of assessment is the percent or ratio the assessed value is of current market value. The level of assessment is at 100 percent when the assessed value is equal to the market value. Whenever, by statutory authority or by practice, the level of assessment is less than 100 percent, the assessment is referred to as a debased or fractional assessment. . . .

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[9] Ellinwood, David M. "Guideposts to Success in Debt Management." *Municipal Finance* 29: 119; February 1957.

FRACTIONAL ASSESSMENTS ARE THE RULE

In the administration of the property tax no state has achieved a 100-percent level for all local assessment units or for all classes of real property. In practice, fractional assessments are the rule regardless of the statutory standard. . . .

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FRACTIONAL ASSESSMENTS MAY RETARD EQUALIZATION

As values in real property have risen and assessments have lagged, the ratio of assessments to cash value has decreased to an absurd level in some states and counties. . . .

Many tax assessors and administrators favor equalization of assessments but at a level below 100 percent. They argue that equalization can be achieved on any level. The arguments in favor of a 100-percent assessment level which is kept current appear stronger than the arguments in favor of debased standards. Debased standards have the practical effect of keeping the taxpayer from seeking equalized assessments. The taxpayer is confused when he compares the assessed value on his property with that of his neighbors. Furthermore, the taxpayer tends to be satisfied with the assessment of his property when the assessment is on a debased level rather than risk a higher valuation should he complain that his assessment is not equitable. Thus, for the assessors. debased assessments are an effective means of eliminating a large portion of the complaints from taxpayers. Debased assessments do not serve the best interests of the governments levying property taxes because school districts and other local governments do not profit from attitudes of hostility or evasion on the part of taxpayers.

For school districts which depend upon the property tax for revenue, debased assessments also have the effect of limiting revenue. Thru administrative action of the assessor or the state equalization agency, the revenue which can be derived from the tax base is limited. The statutes require full valuation or valuation at some fraction of full value. All recent studies have shown that the actual level of assessed value has been far below the statutory standard. A school district in need of revenue may be limited in increasing local property tax revenue by limits on the tax rate and by statutory and administrative limits on the level of assessments. Strangely enough, the debased assessment levels fixed by township, county, and state assessors are far below the statutory levels.

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EQUALIZATION AT THE STATE LEVEL

Equalization of the assessment rolls of more than one assessor or more than one assessment district is called external equalization. This type of equalization may occur at the county level where the primary unit of assessment is the local township, or it may occur on the state level to equalize the assessment rolls of the counties thruout the state.

The job of external equalization is easier where the local assessment districts use modern assessment procedures and have achieved equalization of the individual assessment rolls.

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METHODS OF INTERCOUNTY EQUALIZATION

External type equalization can be accomplished by several methods and with varying degrees of success:

1. The state may accept the percent assessment level certified by the separate counties and merely raise or lower all county ratios to a common percent of real value. Unless the state has supervised or otherwise assisted local assessment, this method both accepts and perpetuates both internal and external inequalities.

2. The state agency may make spot appraisals of a sample of the assessment roll in each county to check the accuracy of the ratio certified by the county assessor.

3. The state may conduct an assessment sales ratio study of sample properties wherein the dollar amounts of free market sales are compared to the local assessments to establish a sales assessment ratio. Sales data are usually supplemented by data on income capitalization and appraisals to check their validity and to establish ratios for classes of property which are sold infrequently.

4. The state may order a revaluation or appraisal of all the taxable property in the state. Equalization is accomplished thru current revaluation by uniform assessment or appraisal technics.

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THE INTENT OF STATE EQUALIZATION PROGRAMS

An equalization program may (a) result in an order to change local assessments for local tax purposes or (b) merely use the equalized assessments for a state property tax levy, for state assessment of locally taxed property, or for distribution of state aid. In the case of the latter use, the local assessment rolls are not changed for purposes of the local tax levies; however, the state assessment figures, if published, may have a salutory effect upon the equalization of local assessments.

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STATE ASSISTANCE TO LOCAL ASSESSORS

Another step toward achieving equalization of assessments thruout a state is a program of compulsory or optional assistance to local assessors. Almost all the states offer some kind of aid to local assessors. Education—upgrading of the local assessor's knowledge and application of scientific technics—is one of the most important jobs undertaken by the state equalization agencies in many states. . . .

THE ROAD AHEAD

The hope for preserving the property tax . . . lies in (a) legal reform which is not mere tinkering around with basic inequities to satisfy political pressures from special interest groups and (b) sound administrative reform. It is estimated that the property tax revenues could be increased at least threefold at the present level of tax rates if the assessment of the base truly measured the current value of taxable real property.

School people have a special interest in the preservation of the one most productive source of local-school revenue. The property tax affords the several local school districts the opportunity to have a well-supported school program at standards above the minimum state program. Furthermore, as the base of the property tax measures local fiscal ability, assessments at current levels of value are a practical index for use in the distribution of state aid.

The need for upgrading the quality of assessments and the need for equalization are critical. It is an anomaly in American government that the assessor who is outside the staff and line of public education can, at his own determination and in disregard of the statutory provisions relative to the level of the assessment, raise and lower the tax base upon which these local governments depend for . . . their locally collected revenue. It is evident where the level of assessment is lower than the statutory standard that the assessor has assumed the role of arbitrator between local units which levy the property tax and the taxpayers. It may well be asked if the assessor is qualified for this role.

In response to the local units' increasing need for revenue and in response to the demands of taxpayers to reduce the inequities in the property tax, programs for reform in administration and equalization are under way in most states. School officials must be prepared to support these programs of equalization and other reforms as follows: to work for scientific, equitable assessment; to establish the office of assessor on a professional level; to work for assessment districts large enough to employ full-time professional people; to work for annual assessments at statutory levels of value; to work for internal and external equalization; and to work for just administrative and judicial procedures for the review of inequities.

State Efforts for Assessment Reform

In 1959 the Committee continued its work in property assessment reform by making a case study of six states where efforts to improve assessment practices recently had been made or were under way. The assessment situation in these six states led to the conclusion: "Inequalities in assessments are present throughout the United States in varying dimensions among properties of the same class in the same district, among properties of different classes, and among the aggregate county or local assessment rolls throughout the state."

The general findings of this study (10:43-45) are summarized below. It should be kept in mind that conditions in these states have doubtless changed since 1959.

SUMMARY AND OBSERVATIONS

The six programs presented in the foregoing chapters describe serious attempts of six states to improve equity in property tax assessments. The details of the operation of the program were drawn largely from secondary sources. The descriptions may or may not fit the programs in current operation. As one property tax administrator noted: "Once set in motion, a state equalization body does *not* tend to continue in the same direction at the same rate of speed." [1]

No two programs described are exactly alike in operation. The programs were tailored separately by the respective state legislatures to fulfill specific objectives for each state. Three of the programs involved state-wide reappraisal projects, followed by a program to maintain, in subsequent years, the level and equity established by the appraisals. These programs include those of Arkansas, Colorado, and Oregon. Three others described are state-directed programs for intercounty equalization. The programs of California, Missouri, and New Jersey limit the scope of state activity to equalization among the assessment rolls of the counties within the state. In Missouri and California the state agency has had the authority to adjust the county roll to an acceptable ratio of assessments to some common standard of full value. In these two states the state agency has at least once ordered percentage increases for counties which raised the assessments of all property within the county by the proportion stipulated by the agency as necessary to bring the county rolls up to the minimum acceptable level for all counties within the state. In New Jersey the action of the state agency does not affect the assessment of properties within the several tax districts of the state. The ratios are determined for each tax district, but the use of the ratios is limited to formulas for the distribution of state support for schools. The programs of Missouri, California, and New Jersey do not directly affect the internal equities on the tax of the assessment rolls of the counties or local tax districts. However, the action of the state agency in intercounty equalization has had a stimulative effect on county or other local programs of reappraisal and equalization. For those programs which begin with a reappraisal of all property within the state, the maintenance program which follows the reappraisal activity is similar to the intercounty equalization programs described for California and Missouri, and the equalization program of New Jersey.

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[1] Welch, Ronald B. "Intercounty Equalization in California—Part II: Action and Reaction." *National Tax Journal* 10: 148-57; June 1957. p. 148.

Tax reform is never uncomplicated. Property assessment has been peculiarly resistant to reform efforts, largely because the taxpayers involved represent the spectrum of all general and special interests throughout the state. Taxpayers' and individuals' interests are presently vested in the inequities of bad administration. Assessment practices and the elected assessing officials are meshed with the local political systems. Hence, the public relations and education aspects of an equalization program are the keys to its successful operation. Several years of the reform effort have preceded the inauguration of most state equalization programs.

One clue to the successful launching of an assessment equalization program emerges from this review. From the experience of Missouri and New Jersey it may be deduced that the way for the state to enter the equalization field is somewhat eased if the assessment equalization program is tied in with a new and improved program of state school support. The California equalization program has had ~~a~~ turbulent career. One reason may be that the equalization portion of state school support had for many years been distributed on the basis of assessments which were not currently equalized. The distribution of state funds to equalize educational opportunities, if based on assessed values, may facilitate the inauguration of a state assessment equalization program if timed to coincide with the inauguration of a new or improved school foundation program. On the other hand, the distribution of state school funds, based on some inverse ratio to unequalized assessment, may operate to perpetuate the status quo in property tax equity.

Citizens are acutely aware that the level of assessments, as well as the tax rate, is a component of the taxpayers bill. Fear is frequently expressed that school districts or other local government units will take advantage of the increase in assessments to realize a windfall in revenue without any change in the tax rate. To some taxpayers this often expressed fear results in opposition to the whole equalization program. The real danger that school districts and other local units will take advantage of the opportunity is, of course, somewhat offset by the present tax rate and debt limitations which have been made more stringent over the years as the level of assessed values to full value has decreased. Two state programs reviewed in the foregoing sections have limited the immediate utilization of the increase in valuations, by legislation or by policy designed to allay taxpayers' fears. In Missouri, school districts were not permitted to take immediate advantage of the increased tax base following the orders of the tax commission to raise assessments. Soon after the inauguration of the equalization program, legislation was passed compelling all tax bodies to reduce their levies in order to bring in substantially the same amount of revenue as was anticipated before the increase was made, if the increase was in excess of 10 percent. Colorado's levy limitation law provides that a school district or municipality cannot increase the levy more than 5 percent over the previous year's levy without permission of the tax commission. When the appraisal program went into effect, the legislature changed the law so that when the tax commission gave approval to a school district's increase for one year, the following year the levy would revert to the previous level. Following the reappraisal program, the tax commission refused most requests for increases so that the school districts were forced to ask the local electorate to vote the desired levy increase.

The evidence developed in California for those counties which were ordered by the state equalization board to increase assessments indicates that for the most part increases in the levy for the year following the assessment increases were not unduly high, and that other factors, such as the possibility of a reduced state equalization grant, may have encouraged some school districts to maintain the tax rate at the level achieved prior to the increase in assessed values.

The programs for increasing the technical skill of the local assessor are featured prominently in each of the six programs reviewed. Inservice training, manuals, maps, records, and field demonstrations are an important part of the service of the state agency to the local assessors, which is designed to improve the quality and the skill of the local assessors. All these techniques bypass the question, Should the assessor be an appointed officer—appointed for his skill in appraisals? States considering this problem have faced realistically the fact that it would be impossible to hire highly qualified appraisers to fill all the assessor posts in the state. In addition, the office of the locally elected assessor is so meshed with the local political structure that efforts to replace the elected assessor with an appointed assessor are practically impossible. Most states with current equalization programs have chosen to follow the course of improving the work of the assessor by improving his technical skill and equipment, while leaving the question of substituting an appointed assessor to be solved at some future date.

Major obstacles to the operation of state-directed equalization programs can be identified as follows:

1. Securing sufficient staff and money for the state program
2. Overcoming the local assessors' opposition to state assistance and direction in a function which has been traditionally local
3. Assigning the correct and equitable share of burden of the property tax among classes of property
4. Overcoming the resistance of groups of taxpayers which have vested interests in the low and inequitable level of assessments because of partial exemptions, the distribution of state aid, or the favorable treatment afforded some classes of property
5. Creating public understanding of the equalization process and how it works.

The solution of all these problems in equalization is a part of the day-to-day activities of the state equalization agency. The states which have equalization programs are indeed to be congratulated.

Variation in Property Tax Rates

CEF Report, September 1963, No. 8 (11:7-9) reviewed a study of varying *property tax rates in different states and geographical areas.*[2]

Property tax base—The estimated property tax base for 1959, consisting of equalized values of property at 100 percent of estimated full market values, totaled over $1 trillion. The figures below compare the regional distribution of the equalized property tax base for 1959 with the regional distribution of children 5-17 years of age:

Region	*Percent distribution* *Property tax base*	 *Persons 5-17 years of age*
U. S.	100%	100%
New England ..	5	5
Mideast	20	20
Great Lakes ...	22	20
Plains	10	9
Southeast	15	23
Southwest	10	8
Rocky Mountain	3	3
Far West	15	12

Only in the Southeast region is the share of the U. S. estimated property tax base smaller than that region's share of children 5-17 years old. The Southeast with only 15 percent of the property tax base had 23 percent of the nation's children 5-17 years of age.

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Effective property tax rates—Distinct regional patterns in property tax rates were observed. . . .

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Variations in the effective property tax rates are greater than differences in per-capita income. . . . Effective property rates in 1960 varied from 71 percent above to 64 percent below the U. S. average. Per-capita personal incomes ranged from a high of 36 percent above to a low of 47 percent below the U. S. average. Regional average effective property tax rates and per-capita personal income relative to the U. S. average as 100 percent are shown below:

Region	*Effective property tax rates*	*Per-capita personal income*
U. S.	100%	100%
New England ..	150	111
Mideast	129	117
Great Lakes ...	107	107
Plains	100	93
Southeast	64	72
Southwest	71	86
Rocky Mountain	86	95
Far West	93	119

CEF Report, September 1963, No. 8 (11:9-11) also reported a New England study which illustrates the wide variations in equalized property values and emphasizes the importance of taking this factor into account in distribution of state and federal aid. One needs to distinguish between flexibility of property tax revenues (relation of revenues raised to personal income) on a national basis as opposed to flexibility of property tax revenues in individual states and localities.

THE PROPERTY TAX AND LOCAL SPENDING—A NEED FOR BALANCE[5]

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Equalized property values per capita in New England towns and cities range from about $1,000 per capita to more than $30,000 per capita. This range is much greater than the difference in expenditures among local governments: Expenditures for current purposes vary from about $40 to about $400 per person. Equalized tax rates range from less than $10 to more than $65 per thousand.

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[2] Advisory Commission on Intergovernmental Relations. *Measures of State and Local Fiscal Capacity and Tax Effort*. A Staff Report. Washington, D.C.: the Commission, October 1962.

[5] Extracted from *New England Business Review*. Published monthly by the Federal Reserve Bank of Boston. December 1962. p. 1-4.

The following analysis demonstrates that tax rates are generally lower in towns with high quality residential property or a substantial amount of industrial or resort property. Such fortunate towns have high per-capita tax bases and at the same time have high per-capita spending. In other words, the "haves" spend more than the "have-nots" and still enjoy lower rates.

The analysis suggests that capacity to raise local revenues, as measured by equalized or full market value of property, should be a much more important factor than it now is in formulas for the distribution of state and federal aid.

In New England the property tax is the major source of local revenue. It provides 87 percent of local revenues exclusive of state and federal aids. The base of this tax, therefore, can be used to measure the capacity of local governments to raise the revenues they need.

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Equalized values and tax rates provide a reasonable basis for comparisons among towns and cities within a state, although the full value figures are more accurate for residential than for other types of property. The definition of the tax base differs among the states, but the major differences are taken into account here.

RELATION OF TAX EFFORTS TO TAX RESOURCES

Tax efforts reflect many differences among local communities. Some communities spend large sums for schools. Places with a high proportion of professional people are likely to spend heavily on school buildings and equipment and to have above-average teacher salaries. In a number of communities, a considerable proportion of the families send children to private schools. Communities with a high proportion of persons over 65 and in low income groups have relatively high welfare costs. Cities tend to have higher costs for welfare, police and fire protection, health and sanitation. "Exurban" communities have little need for sidewalks, street lights, and sewers, but many spend more for recreation, libraries, and general government. Very small rural communities are likely to find per-capita costs high for such municipal services as they do provide.

Of course, some communities are parsimonious. They spend little on education and provide a minimum level of government services. As a result, some low income communities also have low tax rates.

Despite all these differences, however, the size of local tax resources is a major influence both on per-capita spending levels and on equalized tax rates.

High tax rates go hand in hand with low tax resources, while low tax rates accompany high tax resources. . . .

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Per-capita expenditures vary widely even for places with similar size of tax base per capita. This indicates that many things other than local property tax resources affect the rate of spending. Expenditures of large cities are high even where the property tax base per capita is small.

State and federal aids to localities are designed in part to offset differences in local fiscal resources and needs. These aids help to reduce dependence on local tax resources. As the data below indicate, relatively more intergovernmental aid goes to poorer communities. Nevertheless, a large disparity between local tax efforts and per-capita expenditure levels remains.

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INFLUENCES ON TAX RESOURCES

The most important factor accounting for differences in equalized property values is family income. Median family income and per-capita property value have a positive and roughly proportional relationship. High income towns (such as Darien, New Canaan, Wellesley, Longmeadow, Westport) have high property values per capita. Thus low tax rates and high property values generally go with high median family income and vice versa.

Other influences on per-capita property values are location in a resort area and proportion of commercial and industrial property. Nevertheless, the places which succeed in keeping a low tax rate by means of a high proportion of industrial and commercial property are relatively few. Concentration of business property generally goes with low median incomes.

The loss of industries has affected the tax base of many towns in New England. A number of Maine towns where mills have closed must supply much the same services as before with a reduced tax base. This accounts for many cases in Maine where the equalized tax rates exceed $40 per thousand. Loss of industry has also contributed to high tax rates in such places as Fall River and New Bedford.

In some small, rural places in Maine very small populations and high expenditures per head account for high tax rates.

Property Tax Loopholes

For a statement as to various loopholes which erode amount of revenue raised by the local property tax, see article by Mabel Walker in Chapter VI, pages 136-41.

Performance of Local Property Tax

For a statement concerning current and probable future revenues from the property tax, see article by James A. Papke in Chapter VI, pages 142-46.

Effect of Taxes on Location of Industry

For a statement concerning state and local taxes and location of industry, see article by Jean Flanigan in Chapter VI, pages 148-53.

Availability of Data on Assessment of Property

The first step in reforming procedures in assessment of property is to obtain the facts. Fortunately, data in this regard are now reported at five-year intervals by the U. S. Bureau of the Census. CEF Report, May 1964, No. 10, is based on data from this source. Excerpts from this study (12:1, 10, 15) are given below. It is imperative that school people and citizens in general take the lead in this important phase of property tax reform—equalization of assessment.

VALUATION OF PROPERTY

In the fiscal year 1962, the property tax receipts of all state and local governments totaled $19,056 million, of which $640 million was state revenue and $18,416 million was local government revenue. . . . property tax receipts have more than doubled in the 10-year fiscal period from 1953 to 1962. The increase resulted from higher levies on property and also from increased assessed values. The higher assessments reflect the rise in market prices of property and values of new construction and land-use change.

The property tax is still the one important local tax source of school district revenue. In fiscal 1962, the independent school districts collected $7.2 billion, or 98.6 percent, of their locally collected tax revenue from property taxes.[1]

As the base of the property tax, assessments are important to local financing of schools. Assessments have additional importance in school finance because they are used as an indicator of fiscal ability in formulas for the distribution of state aid. The dollar aggregate of assessed values of a school district compared to the valuations of other local school districts is a measure of local fiscal ability only when the assessed values among the districts are equalized. Assessed values are not an adequate measure of local fiscal ability in many states because the taxing districts assess property at different percents of full market value.

This *CEF Report* summarizes state information from the U. S. Bureau of the Census on gross and taxable assessed values, the number of parcels of real property, and the ratio which the assessed value is of current worth.[2]

The latter—the assessment-sales ratio—is probably of most importance to the state and local associations that are working on legislative programs: to secure adequate financial support for schools from both state and local tax sources; to secure equitable distribution of the tax burden for the support of schools among the taxing districts; and to distribute the burden of support of the state school system among property, income, and sales taxes at the state and local levels.

Comparative figures were not available on the value of the base of the general property tax in the several states until a comprehensive survey of property subject to the local general property tax was included in the 1957 Census of Governments [3] and, more recently, in the 1962 Census of Governments. The 1957 data were summarized in a report of the NEA Committee on Tax Education and School Finance.[4] The major items of information reported in the latest study by the Bureau are summarized here by state and by class of property as follows:

- The total valuation and the taxable valuation of property (real and personal) subject to local general property taxation and the percent distribution of total valuation by class of property . . .
- The major types of tangible personal property subject to local general property taxes . . .
- The number of parcels of real property by major-use class and percent distribution . . .
- The ratios of assessed values of transferred real property to sales prices. . . .

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ASSESSMENT-SALES RATIOS

Assessments are commonly set at a dollar value well below the current market value of real estate. No standard ratio of assessments to current market value prevails among the states or among the taxing jurisdictions within many of the states.

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[1] U. S. Department of Commerce, Bureau of the Census. *Finances of School Districts.* Census of Governments: 1962. Vol. IV, No. 1. Washington, D. C.: Government Printing Office, 1963, p. 13.

[2] U. S. Department of Commerce, Bureau of the Census. *Taxable Property Values.* Census of Governments: 1962. Vol. II. Washington, D. C.: Government Printing Office, June 1963. 160 p.

[3] U. S. Department of Commerce, Bureau of the Census. *Taxable Property Values.* 1957 Census of Governments. Vol. V. Washington, D. C.: Government Printing Office, June 1959. 145 p.

[4] National Education Association, Committee on Tax Education and School Finance. *Valuation of Property-Assessment and Sales Prices Compared.* Washington, D. C.: the Association, January 1959. 33 p.

A sample survey of assessment in 1961 resulted in the data below.

. . . These ratios were based on actual assessed value shown on local tax records and the sales price as reported by the buyer or seller of the property for parcels of real property which had been sold over a six-month period in 1961.

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. . . The following is a summary of the distribution of the ratios . . . by major classes of real estate.

Residential nonfarm

Range of ratios	5.9-66.2%
Number of states with ratios of:	
Less than 15 percent	5
15.0 to 24.9 percent	16
25.0 to 39.9 percent	16
40.0 percent and over	13
Total	50

Acreage and farm

Range of ratios	4.6-44.9%
Number of states with ratios of:	
Less than 15 percent	18
15.0 to 24.9 percent	16
25.0 to 39.9 percent	13
40.0 percent and over	2
Total	49

Vacant lots

Range of ratios	5.0-50.7%
Number of states with ratios of:	
Less than 15 percent	20
15.0 to 24.9 percent	17
25.0 to 39.9 percent	9
40.0 percent and over	4
Total	50

Commercial and industrial

Range of ratios	5.9-85.0%
Number of states with ratios of:	
Less than 15 percent	10
15.0 to 24.9 percent	11
25.0 to 39.9 percent	13
40.0 percent and over	12
Total	46

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Real property tax assessments were at a national average of 29 percent of total market values estimated at $970 billion in 1961. Assessments have not risen quite as fast as sales prices. In 1956 the nationwide sales assessment was 30 percent of an estimated $700 billion in market values of all locally assessed real property.

Several states have surveyed and reported the fractions in use by their local taxing jurisdictions. Some states have attempted to equalize assessments throughout the state at a uniform ratio to current market value, as indicated by studies of assessments and sales, assessments and appraisals, or sales and appraisal data combined.

The Advisory Commission on Intergovernmental Relations reported that all but a few states have had in recent years projects or programs to upgrade the property tax administration, although these efforts vary widely in scope and direction.[5] The details of assessment practices in individual states and the steps undertaken for re-evaluation and improvement are given in the second volume of the Commission's report.[6]

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[5] Advisory Commission on Intergovernmental Relations. *The Role of the States in Strengthening the Property Tax.* Vol. 1. Washington, D.C.: Governmen Printing Office, June 1963. 187 p.

[6] Advisory Commission on Intergovernmental Relations. *The Role of the States in Strengthening the Property Tax.* Vol. 2. Washington, D.C.: Government Printing Office, September 1963. 182 p.

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SUMMARY

The assessment figures . . . state by state indicate marked variations in the base of the local general property tax. A similar pattern of variation exists among taxing districts within many states with respect to the ratios of assessments to current market worth. With the increased attention now being focused on the equalization of property tax assessments and improved administration, it is likely that many of the recommended changes will be realized in the years ahead. Regardless of the pace at which such changes occur, the general property tax will most likely continue as the most important source of school revenue from local sources.

STRENGTHENING THE PROPERTY TAX

The 29 recommendations of the Advisory Commission on Intergovernmental Relations for state action to strengthen the property tax have been summarized into six basic categories:[7]

(1) To provide, on a regular basis, precise information on the property tax situation throughout all taxing and assessing districts in the state with respect to the utilization of the tax and the quality of assessing, and to make well-analyzed and informative reports on these features regularly available to the public.

(2) To amend or change property tax laws that are inequitable, unworkable, unduly restrictive, or otherwise unsatisfactory and to rid constitutions of details that more properly belong in statutes or administrative regulations. This applies equally to laws which determine the tax base, establish limitations and exemptions, and set forth the procedures for administering the tax.

(3) To determine the appropriate role of the property tax in a well-integrated state-local revenue system.

(4) To recast any features of the administrative setup with respect to both organization and personnel, that prevent efficient and equitable administration.

(5) To provide effective state supervision, co-ordination, and technical assistance to the administration of the property tax and to guard against unfairness in distribution of the property tax burden.

(6) To provide the taxpayer with readily usable and effective means of protecting himself against inequitable assessment.

Automatic School Data Processing

James W. Whitlock (13:111-120) identified five uses of automatic data processing in educational management and control.

Public school administrators throughout the nation are becoming increasingly aware of automatic data processing equipment as an important tool in educational management and control. This is evidenced by the fact that approximately 1,000 local school districts are making some application of equipment for the automatic processing of educational data. The equipment can be divided into two general groups: (1) punch card equipment, which may be referred to as electromechanical machines; and (2) electronic data processing machines, which are often called electronic computers.

The use of automatic data processing equipment in educational management and control is limited primarily to punch card equipment. Only a few of the large metropolitan school systems have been able to afford the installation of computer systems. Certain developments are underway, however, which should improve the possibilities for computer utilization by local school systems. . . .

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[7] Advisory Commission on Intergovernmental Relations. *State Legislative Program of the Advisory Commission on Intergovernmental Relations.* Washington, D.C.: the Commission, October 1963. p. 7.

Many tasks in the process of educational administration have some application for automatic data processing. The equipment can be used to:

- Do many of the various routine operations of educational management and control
- Serve as the calculating tool essential to handling mass data
- Improve research instruments
- Improve the adequacy of educational data
- Simulate an educational system.

Each of these uses has implications for the sound financing of public education.

USE IN ROUTINE CLERICAL AND MANAGEMENT OPERATIONS

The applications of automatic data processing in educational management and control are being developed rapidly. New applications are being devised continually as school personnel with ingenuity and a willingness to experiment gain experience in the use of the equipment. These applications fall into two logical divisions: business office and related staff personnel functions, and student personnel accounting.

SCHOOL BUSINESS AND RELATED STAFF PERSONNEL MANAGEMENT

Automatic data processing equipment has many uses in the areas of the school business office and related staff personnel functions. The most common applications in these areas include supply requisitioning, accounting for receipts and expenditures, payroll preparation, check writing, government payroll reports, and property accounting. These applications are being made on both punch card and electronic data processing equipment.

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Other uses for automatic data processing equipment in the business and other related functions of the schools and school districts have appeared recently. These include the use of punch cards as admission tickets, as student identification cards, and as school bus passes. Effective automated procedures have been developed also to account for student fees, bookstore inventory. and cafeteria inventory.

STUDENT PERSONNEL ACCOUNTING

Records have long been a recurring "thorn in the side" of school administrators. . . .

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With automatic data processing equipment, the student record keeping can be centralized at one convenient location. The equipment can be used for school census; for pupil registration and student scheduling; for permanent cumulative record keeping; for analyzing and interpreting standardized and teacher-made test results; and for attendance accounting and the allied activities for reporting to parents and to local, state, and federal education agencies. Flexible student scheduling is being accomplished by computers during the week before school begins.

What are the financial implications of the use of automatic data processing equipment in routine clerical and managerial tasks? As indicated earlier, this utilization results in greater value received from the school dollars spent for professional services. Relatively high salaried professional staff members need no longer spend disproportionate time in rather low level clerical tasks.

. . Data processing equipment can relieve administrators, central office staff members, counselors, and teachers from clerical routine so that their time may be much better spent in professional activities. . . .

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REVISE ACCOUNTING PRACTICES

Once a school district makes the decision to install a data processing system, it must take a very critical look at its present accounting practices. This is particularly true of many of its business management operations. The result is usually a much more efficient system of financial accounting for receipts and expenditures and the subsequent accounting for both the current and fixed assets of the school system.

For example, with the installation of automatic data processing equipment the school district has a ready facility for encumbrance accounting. Various appropriation accounts can be encumbered when an obligation—in the form of a purchase order or contract—is incurred. A comparison of budget appropriations with expenditures plus encumbrances to determine uncommitted balances thus avoids overexpenditure of appropriations. . . .

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. . . Adequate punch card inventory systems provide data on the quantity, the cost, the age, and the condition of each type of equipment used by a department or by a school. The essential task of adequate property accounting is, thereby, greatly simplified.

Other examples of efficiency and economy in school district operations through use of data processing equipment can be cited. The school system can use the equipment for much of the standardized test scoring and analysis generally done through contract with commercial companies. Costs in the accounting for district-owned textbooks and other specialized aspects of property accounting are usually reduced. Computer programs are now available for planning more efficiently school bus routes; and both punch card systems and electronic procedures are available for more efficient attendance accounting which may result in more state school funds.

In summary, the use of automatic data processing equipment in the routine tasks of school management can result in: (a) greater value received for school dollars spent for professional services, (b) more time for the administrative and teaching staff to engage in the basic investigations and tasks prerequisite to sound long-range financial planning, and (c) more efficient school business management operations.

A TOOL FOR HANDLING MASS DATA RELATING TO SCHOOL FINANCE

The electronic data processing system's capability to correlate, compare, interrelate, and synthesize data is almost unlimited. School administrators now have available to them the necessary facility for taking the vast amount of educational data and correlating it with sociological and technological information to supply answers to a host of questions facing education today. One of the most important of these questions is the question of cost-quality relationships in education. The electronic data processing system offers great h[illegible]or shedding light on this and other [illegible]s of darkness.

This hope lies in the fact that the computer will not only simplify and facilitate the production of such research work now being done, but may actually accomplish an entirely new brand of research work. For example, it should produce a movement away from the traditional univariate design which proved fruitful for physical scientists, but which has had little payoff in educational research. Experiments continue to fill the educational literature in which performance on some achievement test is compared for two groups—one taught by television, the other by conventional methods. This type of experimental design has had little impact. Human behavior and the objectives of education are too complex.

Multivariate statistical methods and the computer now permit the testing of any number of groups on multiple criteria. . . .

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Industry has for years employed the "management by exception" principle. Certain limits or standards are established and the management staff concerns itself primarily with those situations which are exceptions to the established limits or standards of efficiency. The ability of electronic data processing systems to handle a mass of data makes the "management by exception" principle equally applicable to the business of education.

For example, in the area of attendance accounting, wouldn't it be helpful to have, as a by-product, an identification of the schools which have excessive absenteeism? . . .

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IMPROVING THE ADEQUACY OF EDUCATIONAL FINANCE DATA

The increasing complexity of public education has intensified the demand for sound decision-making. Sound decisions must be based on adequate educational information on all aspects of the school program. Such information must meet the following criteria: (1) accuracy, (2) timeliness, (3) comparability, and (4) comprehensiveness. Automatic data processing systems can contribute to the accomplishment of each of these criteria.

ACCURACY OF DATA

. . . Certain controls and checks for accuracy can be programed into the data processing system to assure almost complete accuracy in the end product. . . .

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TIMELINESS OF DATA

. . . Automatic data processing can increase the speed of the data collection, analysis, and dissemination processes to many times that of any manual system. . . .

COMPARABILITY OF DATA

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Despite the progress in achieving comparability, there is still a long way to go. Automatic data processing systems can contribute to the goal. As the various states and the federal government plan intercommunicating systems for the flow of educational information from school to school system to state to federal levels, increased attention must be given to comparability of educational terms and definitions.

COMPREHENSIVE FINANCIAL DATA NEEDED

The ever increasing complexity of the public education enterprise demands that decision-making, both financial and otherwise, be based on the analysis of comprehensive data on all aspects of the school program. . . .

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Automatic data processing systems enable millions of characters of educational finance and related information to be stored in "data banks," retrieved and analyzed at high speeds. The criterion of comprehensiveness in data used in long-range educational planning is, thereby, attainable.

SIMULATION OF AN EDUCATIONAL SYSTEM

Electronic data processing systems are far from being "electronic brains." They do only what they are told to do by a human operator. However, it may be erroneous to suppose that there will always be a wide gap between human and artificial intelligence. Scientists now look toward development of computers that will store experience as well as facts. When confronted with a problem, such machines would choose their own way of solving it. Such an accomplishment is easily believable when one views the present uses being made of the electronic systems.

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. . . A computer program can be made to mimic the behavior of many things. There is little doubt then that the computer can be programed to simulate an entire school organization. This permits advanced educational planning and decision-making. By simulating an educational system for a given region and inserting such information as socioeconomic data, population trends, and other pertinent data, educational planners can cycle the program ahead and generate predictions about future educational needs. Facility planning, salary bill projections, and other problems are already being solved with the use of computers. The financial implications of such simulation are tremendous.

New Methods of Processing Data

Peter P. McGraw (14:125-128, 130) reported developments in automatic processing and use of school data.

The current changes in compiling and reporting financial information are being brought about principally because of the use of automatic data processing. In order to understand these changes, we must recognize and understand three basic facts about financial data processing.

The first is that if an item of data is to be assembled more than once or stored and later retrieved, it can probably be handed more economically by machine than by manual methods. The second is that there are two facets to every expenditure—what you bought, and why you bought it. . . .

A third fact about data processing is that an item of data is meaningless until it is related to another item of data. For example, if I were to give you the figure 36, it would mean nothing to you. If, however, I said 36 inches, you would know it was the measure of something. . . .

More and more school systems are learning that you can record both the function of the expenditure and the object purchased in the same punched card. The have discovered that it is a relatively simple matter to sort these cards by object of expenditure to determine how much was spent for gasoline and then resort to the same record a minute later to arrive at how much was spent for transportation. They are discovering also that the same cards can be sorted in many different ways, by school, by month, by grade, by building, by vendor, by budget category, etc. . . .

We now have over one thousand school systems using data processing to store educational data in machine usable form. Approximately half of these have their own equipment and the others use service bureaus or other related government installations. . . .

In trying to evaluate the progress of data processing it is more important that you understand the process a system goes through than the number of machines in use. I like to break this process into three arbitrary steps that I refer to as three levels of development. The first of these is the use of data processing as a clerical tool; the second is the use for administrative control; and the third is the use for procedures that are impossible by manual methods, which I will call (for lack of a better term) automatic administration.

At the first level, the school system uses machines to do the same job that was formerly done by clerks. . . .

In the middle level of development, the administrative staff begins to use data processing tools for administrative control and planning. This level of progress begins when the administrator discovers that he has a considerable amount of data in machine usable form as a result of mechanizing such things as payrolls and pupil records. He finds that it is simple to resort to the basic unit or punched card records and get answers to many questions. . . .

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At some point in his development the administrator discovers a concept known as *management by exception.* The administrator begins to receive stacks of paper from the machine room in the form of endless listings or reports which he scans for deviations from policy, unusual conditions, etc. He is usually happy with this arrangement for a time because he can now answer many questions with ease, but he begins to get bored with the chore of scanning the endless reports to find the problems that need his attention.

At this point he usually knows enough about data processing to ask for special sorts on the data that will pull out the exceptional cases so that they can be listed for his attention. He is managing the area under his control by exception and he is using data processing for administrative control.

SOME COMING CHANGES

As we look to the future and the third level, let us keep in mind that in the first level the machines did nothing that clerks did not do. In the second level they did nothing that administrators have not done in the past. Now we want to consider some things that are impossible for humans to do. The first of these topics is optimum scheduling. In undertaking the development of an optimum schedule for one school with one thousand pupils, we are faced with hundreds of thousands of variables. It is humanly impossible to take all of these variables into account in deciding through manual methods what teachers should teach what subjects to what pupils in what spaces during which periods of which days. . . .

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The third area where the computer will surpass the human is that of computer-based programed instruction. Programed instruction was developed to enable each child to progress at his own pace. Manual or mechanical means of presenting programed material are still too rigid to treat the pupil as an individual. With the branching logic in the electronic computer and the huge storage capability of its memory, these problems can be overcome. An added feature of this approach is the ability to keep track of where each individual is in the course and the kinds of difficulty he is having. . . .

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All of this automation will not come about automatically. It will be born with a lot of blood, sweat, and tears. Like all progress, it will come whether we like it or not, but the speed with which it will come and the efficiency with which it is installed will depend to a great extent on the ability of our professional staff to adapt themselves to new concepts and procedures. It will not adapt itself in its finest form to our present methods of organization and administration. If we are to get the greatest use from it, we must be ready to adapt programs, personnel, and procedures to the new technology.

Elasticity of Public School Support

CEF Report, August 1960, No. 2 (15:1-2) dealt with elasticity in the financing of public education, i.e., the trends in the relation between the personal income of the people of the United States and the expenditures for public schools.

TABLE 1.—INCOME ELASTICITIES OF PUBLIC EDUCATION AND OTHER PUBLIC SERVICES, ST. LOUIS CITY-COUNTY AREA, 1951-52 AND 1954-55

Services	Income elasticities
1	2
Education	
Total current plus debt service	0.56
Total current without debt service	0.52
General control	0.50
Instruction	0.42
Auxiliary services	1.15
Plant operation maintenance	0.55
Fixed charges	0.29
Fire protection	10.10
Police protection	0.98

Source:
Hirsch, Werner Z., *op. cit.*, Table 17, p. 38.

Income elasticity is a measure of the way in which a consumer's expenditures for any item change as a result of a change in income. This concept may be applied to measure the effect of changes in personal income on the public expenditures for education. Educators are interested in what proportion of added personal income will be spent for schools. Some research has been published.[1]

In order to measure the relationship between expenditures for public education and personal income, the formula for income elasticity of demand (Ei) of public education is as follows:

$$\text{Ei} = \frac{\text{Proportionate change in expenditures for education}}{\text{Proportionate change in personal income}}$$

Where income elasticity of demand for education is high, a given proportionate increase in personal income of (for instance) 1 percent brings about a much greater proportionate increase in the expenditures for education of, say 5 percent. Income elasticity of education is therefore 5/1 or 5.0. On the contrary, if the income elasticity of education is low, a given proportionate increase in personal income of, say, 1 percent will cause a proportionately smaller increase in the expenditures for education of, say, 1/5 of 1.0, or 0.2 percent. Income elasticity of education in the latter case would be 0.2.

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[1] Hirsch, Werner Z. *Analysis of the Rising Costs of Public Education*. Study Paper No. 4, Joint Economic Committee, Congress of the United States. Washington, D.C.: Government Printing Office, November 10, 1959.

Brazer, Harvey E. *City Expenditures in the United States*, Occasional Paper 66, National Bureau of Economic Research. New York: the Bureau, 1959.

Table 1 shows the income elasticity of elementary and secondary education in comparison with other local public services in the St. Louis City-County area in 1951-52 and 1954-55.

As is evident from the table, the elasticity co-efficients range from 10.1 for fire protection and 0.98 for police to 0.56 for public education.

This suggests that as people get more income they are more inclined to increase the amounts for fire protection and for better police systems than for education. Income elasticity of public education (0.56) found in the St. Louis area is low and inelastic compared to that of fire protection. As the per-capita personal income in St. Louis advanced by each 1 percent during the periods considered, the expenditures for public schools per pupil in ADA increased by only 0.56 percent. The most important inference from Table 1 is that, with the exception of fixed charges, the elasticity co-efficient of instruction is lowest, only 0.42. As income increased, the St. Louis area tended to spend relatively more money for auxiliary services, maintenance, and general control than for the improvement of instruction. The low income elasticity for instruction in comparison with other components of education expenditure may have a deleterious impact upon the quality of education.

If the St. Louis experience is typical of urban areas of the United States, public education appears to be severely handicapped in competing for limited tax dollars with other public services such as fire and police protection. The low income elasticity of public education and, especially, of instruction, in part reflects the attitudes toward education. We know too little about so expensive and so important a segment of our economy as public education. Better and more general understanding of the economic demand of public education is urgently needed.

In the computation of income elasticity, one of two methods—time series data or cross-section data—may be employed. When time series data are applied there is a danger that functional relationships will be cited where none actually exist because of the influence of trend, cycle, and seasonal variations. Data collected through the time series method, therefore, should be adjusted for price changes. If the second method—cross-section data—is used, no such danger interferes with the result obtained in analyzing functional relationship between school expenditures and per-capita income. Here all data are collected from within a given year or set of years. In the first method, however, all data are collected over a period of years.

Hirsch calculated the income elasticity of education expenditures for current expense plus debt service per pupil in average daily attendance for the United States using the time series for 1900-58. The income elasticity for education for the U. S. as a whole for the years 1900-58 was just slightly above unit elastic; 1-percent increase in per-capita personal income was on the average associated with a 1.09-percent increase in daily expenditures per pupil in ADA. Cross-section data for 1951-52 and 1954-55 were used for the St. Louis area study.

The foregoing brief discussion suggests the value of estimating income elasticity of education for communities and areas, following a method similar to that used by Hirsch for St. Louis County and for the United States. The Hirsch study of the St. Louis area suggests a way to compare the public support of education in different localities. Income elasticity may well serve as a measure for this purpose. Other researchers may be stimulated to study the functional relationship between per-capita personal income and the school expenditures per pupil in average daily attendance in their own community.[2] Also, see study of Jesse Burkhead on "Tax Elasticity" in Chapter VI, page 142.

Outlook for State-Local School Support

CEF Report, September 1963, No. 8 (16:1-3), summarized Jesse Burkhead's analysis of the outlook for state and local school support. In considering this study, it is important to distinguish between the adequacy and elasticity of property tax revenues when considered from an over-all national viewpoint, as opposed to that of individual localities in which revenue possibilities from the property tax vary enormously.

OUTLOOK FOR REVENUE NEEDS OF SCHOOLS

In an examination of the general sources of state and local support for public education,[1] Jesse Burkhead finds little reason to doubt that the property tax could serve well in expanding local fiscal support of public education. Only slight increases are foreseen in state support and only localized increases in revenue from local nonproperty taxes.

PROPERTY TAX

Its behavior during the 1950's suggests that it would be far better to strengthen the property tax than to plan for its eradication. Even with very little improvement in administration—a very weak factor in the tax—property tax revenues have shown an amazing resurgence in the past decade. The collections as a proportion of national income are well below 1920 levels, but during the 1950's collections increased more rapidly than the increase in national income. . . .

Burkhead finds that there are many legitimate criticisms of the tax:

- Its burden on family income tends to be regressive, particularly on such income groups as retired homeowners.
- The tax is a rising burden on home ownership, although not of such magnitude as to deter further investment in owner-occupied homes.
- There are many imperfections in assessment in the older central cities, but a much higher degree of uniformity prevails in suburban areas.

However, the impact of the tax is not sufficient to distort patterns of land use in urban areas, and its burdens are not generally crucial as compared with business costs and other factors affecting location decisions of industry and commerce.

PROPERTY TAX ELASTICITY

The behavior of property tax revenues in New York counties in the period from 1949 to 1959 suggests that property tax revenues responded well to increases in population and to an increased proportion of school children in the total population. The elasticity of the tax, i.e., its increase with income growth, was not depressed where tax rates were high, nor was the elasticity affected by the ratios of assessed values to market values. For example, the median elasticity for all upstate counties in these years was 1.61; i.e., property tax revenues increased 61 percent faster than income.

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[2] For detailed statistical procedure, refer to the methods employed by Hirsch.

[1] Burkhead, Jesse. *State and Local Taxes for Public Education.* The Economics and Politics of Education. Volume 7. Syracuse: Syracuse University Press, 1963. 108 p.

Burkhead finds the administration of the property tax at the local level to be representative of some of "the worst of local government administration." Although some important improvements in state equalization occurred in the 1950's, progress in the reform of local assessment administration was virtually nonexistent. Burkhead is not optimistic about reform except through the strengthening of state supervision of local administration.

STATE REVENUES

An examination of state revenues reveals that state governments have just managed to hold their relative fiscal importance in the total of state-local expenditure responsibilities for the nation as a whole in recent decades and that in the last five years the ratio of state taxes to state-local expenditure responsibilities has declined. . . . State revenue structures have barely kept pace with the demands that have been placed upon them since World War II.

The estimated responsiveness of state tax revenue systems for 1950-1960 is shown in Table 3. The ratio of percentage changes in state revenue to percentage changes in personal income —responsiveness—ranged from a low of 0.60 for South Dakota to more than 2.00 for Georgia and Montana. The median of 48 states was 1.28. . . . The term responsiveness is used to indicate elasticity in a time series.

A number of states have adopted new levies and have increased the rates of old taxes. However, the response of state revenues has been substantially less than the response of the property tax. With a continuation of the trend to levy both sales and personal income taxes, state governments should be able to increase slightly their proportionate share of support for public education.

TABLE 3.—RESPONSIVENESS OF STATE TAX REVENUE TO CHANGES IN NATIONAL INCOME

Year 1	National income (millions) 2	Increase over previous year 3	Total state tax collections (millions) 4	Increase over previous year 5	Coefficient of responsiveness[a] 6
1950	$241,876	....	$ 7,930	....	....
1951	279,313	15.5%	8,933	12.6%	.38
1952	292,155	4.6	9,857	10.3	.66
1953	305,573	4.6	10,552	7.1	1.54
1954	301,794	−1.2	11,089	5.1	1.11
1955	330,206	9.4	11,597	4.6	....
1956	350,836	6.2	13,375	15.3	1.63
1957	366,943	4.6	14,531	8.6	1.39
1958	367,384	0.1	14,919	2.7	.59
1959	399,551	8.8	15,848	6.2	62.00
1960	417,054	4.4	18,036	13.8	1.57

Source:

Burkhead, Jesse. *State and Local Taxes for Public Education.* The Economics and Politics of Education. Vol. 7. Syracuse: Syracuse University Press, 1963. p. 89. Computed from *U. S. Income and Output.* Washington, D.C.: U. S. Department of Commerce, 1958; issues of *Survey of Current Business;* U. S. Bureau of the Census, *Compendium of State Government Finances;* and U. S. Bureau of the Census, *Historical Statistics of the U. S.* Washington, D. C.: 1960.

[a] Tax collections lagged one year.

LOCAL NONPROPERTY TAXES

The flurry of local nonproperty taxes in the immediate postwar period appears now to offer little promise for strengthening tax support of public education. Except in a few states, such taxes have not been important in the direct support of public education. Larger cities will undoubtedly continue to adopt such levies with consequent indirect tax support for education.

The Road Ahead in Local School Support

Erick L. Lindman (17:13) in discussing the outlook for local school finance in 1964-65 stated that:

> . . . the basic problems are not new, but increasing enrollments and demands for quality improvements have caused more and more school districts to bump their heads against statutory tax rates ceilings and voter resistance. Once this occurs the unique role of local support for public schools is thwarted. Perhaps we have operated schools under these adverse conditions so long that we have forgotten what this unique role is. It may be briefly described as follows: After all other revenues are estimated, the property tax rate is adjusted to balance the budget, and this tax rate becomes the measuring rod against which marginal items in the budget are considered.

. . . . . .

During the year ahead, then, efforts will be needed to restore the property tax to its proper place in school finance. These efforts will proceed along three very distinct lines. First, the perennial problem of improving the equity of property assessing will need continued attention. If people are convinced that assessing is unfair, they will resist property taxes in the face of clearly recognized school needs, not because they are against school improvements, but because they are against unfair taxation.

Second, in some states special effort will be needed to avoid excessive burdens upon local property taxation. If this burden, made up of property taxes for schools and other local services, becomes too great, property tax resistance will influence unduly community judgment about school needs.

Third, many states will need to look carefully at the method by which local school property tax rates may be changed so as to give adequate authority to school boards and a workable referendum procedure. These three aspects of local property taxation require continuous attention if the local property tax is to play its proper role in the total school finance system.

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11. *CEF Report,* September 1963, No. 8. 20 p.
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15. *CEF Report,* August 1960, No. 2. 16 p.
16. *CEF Report,* September 1963, No. 8. 20 p.
17. Lindman, Erick L. "Outlook for Public School Finance, 1964." *A Financial Program for Today's Schools.* Proceedings of Seventh National Conference on School Finance. 1964. p. 10-16.

VI. Raising the Funds—The Role of State Government

During the twentieth century the percentage of school revenue raised by the state level of government rapidly increased. This percentage in recent years, however, has leveled at about 40 percent.

Under modern economic conditions, it is essential that the state provide a substantial percentage of public-school revenue. A number of studies sponsored by the Committee on Educational Finance have dealt with this matter.

Earmarking of State Taxes for Education

Earmarking or dedication of state taxes is the practice of designating the revenue from a particular tax for a particular public purpose such as education. In the past, earmarking of state taxes for public-school support has often appeared to be essential. In many cases, new taxes would not have been voted if a part, or all, of the revenue raised had not been designated for public schools. The trend is somewhat away from earmarking taxes for education in states with broad systems of state taxation which generally conform to modern tax theory. This question in some states, however, is still controversial.

CEF Report, May 1961, No. 3 (1:7-8) reviewed the arguments pro and con on earmarking of state taxes.

In 1954 the Tax Foundation reported that 51 percent of all state tax revenues were earmarked.[5] . . . Earmarking of state revenues was identified as a contributing factor to the fiscal crises of Michigan in 1959 and 1960. Michigan faced the financial shortage with 73 percent of the state tax revenue dedicated to special purposes. This proportion does not include additional revenues needed to participate in federal programs which required matching funds. Although the fiscal shortage in Michigan had broader political and economic rootage, the high proportion of earmarked revenues did impair the ability of responsible executive and legislative officials to establish fiscal control.

The earmarking of receipts from a tax for a particular service or item of expenditure is a fiscal practice used in many states. Taxes on highway users are earmarked for the exclusive use of the highway program. State sales or income taxes are frequently dedicated to education or welfare. Receipts from taxes are sometimes shared by the state with the local government. Receipts from regulatory licenses and fees are earmarked in some states to finance the activities of the state agencies which issue the licenses. Federal grant programs which require the state to supply matching funds also have the effect of earmarking a portion of the state's revenue.

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[5] Tax Foundation, Incorporated. *Earmarked State Taxes.* Project Notes No. 38. New York: the Foundation, 1955. p. 13.

The question of earmarking has long been controversial. Paul H. Wileden presented a fair statement of the arguments for and against earmarking in an article in *State Government*.[6] The paragraphs which follow draw heavily but not exclusively upon the Wileden statement.

A number of advantages are associated with earmarking:

1. Earmarking provides definite assurance of support for an expenditure program which requires long-range planning.

2. Earmarking appears to some proponents as a hedge against capricious legislative action. A corollary of this argument is that it frees the legislature from frequent reviews of revenue needs of specific functions, it frees legislative time for consideration of other matters, and it reduces the special-interest pressures on legislatures.

3. Some types of earmarking are supported by the benefit theory—the group taxed should benefit from the yield of the special tax. Highway, game, and fish protection programs are examples here.

4. Earmarked taxes for debt service on construction bonds are believed to provide an orderly and certain means for retiring the bonds. School districts and municipalities frequently separate the millage for general purposes from the millage for debt service.

5. Fees for regulation of professions and vocations are sometimes justified as offsets to the public costs of regulating the practice in the public interest as well as in the interest of the profession or trade. This argument rests in part on an extension of the benefit theory.

6. On the practical side, an organized special-interest group which is already working for an expenditure program for a public service can also work effectively for a tax proposal dedicated to offset the cost of the proposed expenditure. Tax measures which lack sponsorship by organized civic groups may fail because of lack of public support for their enactment. More and more the proponents of a specific expenditure have added to their legislative request plans for its financing. These plans sometimes entail earmarked revenues.

7. Earmarking may be defended as a protective measure when state sources of general revenue, one after another, are dedicated to an increasing number of special services.

The case against earmarking is strong. Earmarking restricts the ability of executive and legislative officers to establish fiscal policy and control. These arguments are advanced against the practice of earmarking:

1. One of the major objections to earmarking has been the rigidity and inflexibility of a support arrangement which is automatic rather than governed by current legislative judgment. As the tax base varies, the earmarked funds collected will increase or decrease accordingly rather than with changes in the need for the service. Thus earmarking hinders the allocating of available funds according to current relativity of need.

2. Another argument against earmarking centers around its impact on the role of the legislature in the formulation of fiscal policy. The reasoning here is that in order to maintain responsible representative government the

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[6] Wileden, Paul H. "Earmarking: Good or Bad?" *State Government* 33: 251-55; Autumn 1960.

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state legislature should exercise control over annual or biennial appropriations. Continued use of earmarking eats away at the decision role of the legislature in the field of fiscal policy because it limits the legislative power to review and check governmental activities. This tendency increases when earmarking is established in the constitution of the state.

3. To the extent that earmarking puts revenues outside normal budgetary and auditing channels, it impairs the ability of the current executive and legislative officials to make the most efficient use of resources.

Facts are not available to show conclusively that the practice of earmarking should be either restricted or retained. The fact that historically the state legislatures have been under pressure to use earmarking does not prove that earmarking is an efficient way to finance a government activity. The effectiveness of this type of state fiscal arrangement will vary from state to state because of economic and political differences. The disadvantages of earmarking obviously outweigh the advantages in states where representative government is working well and sound fiscal policy and control is an established achievement.

The implication here is not one of making a simple choice between the earmarking device and the normal appropriation policy. It is one of flexibility. It appears reasonable to employ the means which provide enough funds to guarantee a reasonable level of service for all functions of government.

Increasing demands for public services have created serious fiscal problems for state governments. Earmarking has seemed an easy pattern to follow. Solution of the problems in state finance requires a critical review of the earmarking mechanism and its impact on state financial affairs.

EROSION OF THE EARMARK *

During the history of Oklahoma as a state, many kinds of taxes have been imposed on the public in the name and for the benefit of schools. Some of these have been diverted to other purposes after a few years. If all of the taxes which are or have been earmarked for education were still dedicated to that purpose, the schools would have received $91,031,819 in 1958-59. (NEA Research Division estimates that the state was the source of $69 million in revenue in 1958-59.)

Sources of State Revenue

The Committee on Educational Finance from time to time has issued detailed reports on the sources of revenue in each of the states. Two reports are cited below. These reports give detailed information as to trends in state tax collections, taxes in effect, and amounts raised by each tax in each state, rates levied under each tax in each state, and other factual information. One of these reports (2:34) states:

> The data briefly presented here are intended to provide educators with the over-all picture of our state tax systems and with a state-by-state account of certain details. . . .
>
> This information may serve as the beginning point in the improvement of state tax systems. Responsible proposals will be based upon additional types of information, such as the impact and incidence of both state and local taxes and arguments for and against certain types of taxes. Three major types—individual income taxes, general sales

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* Research Division, Oklahoma Education Association. *Diversion of School Taxes.* Memorandum 291. June 10, 1960. 1 p. (Mimeo.)

taxes, and the property tax—will be part of this kind of study.

CEF Report, February 1964, No. 9, (3:5) listed the major state taxes in effect in 1963 and the percent of total tax revenues raised by each. These data are presented below:

Major State Taxes—1963

State Taxes	*As percent of total state tax revenue*
General sales and gross receipts	25.0%
Motor fuels	17.4
Tobacco products	5.1
Alcoholic beverages	3.6
Insurance	2.9
Others	4.2
Total, all sales	58.2%
Individual income	13.4%
Corporation net income	6.8
Total, income	20.2%
Motor vehicle and operators' licenses	7.4%
Other licenses	5.4
Others	8.8

For data as to 1964 state tax collections see State Tax Collections in 1964, *Bureau of Census, U. S. Department of Commerce, G-SF64-No. 3, October 1964, p. 4. This reference gives total state tax collections in the fiscal year 1964 as $24.2 billion, an increase of 9.6 percent from the $22.1 billion collected in fiscal 1963. The percentage of total tax collections for 1964 raised by each tax is approximately the same as shown above for 1963. The two major state taxes, sales and income, are discussed below.*

Improving the States Sales Tax

A statement by John F. Due (4:52-58) indicated improvements in the sales tax to provide more revenue and to lessen various inequities.

This paper is devoted to the question of improvements in the sales tax which will enable it to provide more revenue at given tax rates, and to lessen evasion, avoidance, and various forms of inequity. There are two principal fields of potential improvement—in the administration of the taxes, and in the tax structures themselves.

ADMINISTRATION

Only one state—California—has, from all indications, developed its administrative program to more or less optimum levels. In all others, but in widely varying degree, substantial sums of revenue are being lost by inadequate administrative programs, sums far in excess of the additional cost which would be incurred in making the programs effective.

WEAKNESSES OF ADMINISTRATION

Sales tax administration consists of two major segments. The first is enforcement or compliance: insuring that all taxpaying firms remit payment of tax at the required time. The second is audit: the examination of returns and of the records of the firms to ensure that correct amounts of tax are being reported. In the performance of both functions, but particularly the second, the state revenue departments are handicapped by lack of adequate, competent personnel. There are three primary reasons:

1. *Lack of civil service or merit systems in many states*—The evils of filling positions requiring substantial technical training on a patronage basis and replacing personnel who have gained extremely valuable experience with untrained persons as a result of a shift in political power are so obvious that no elaboration is required. It is difficult enough to get good men when selection is freed of political influence and tenure is assured.

2. Inadequate salaries, particularly for auditors—The task of auditing accounts of vendors, particularly larger stores, manufacturers, and public utilities (all of which will have sales and use tax liability) requires knowledge of accounting and auditing procedures; for adequate performance, the states need to recruit persons with college degrees in accountancy or the equivalent. They must, therefore, pay salaries which will compete with public accounting firms and industry. . . .

3. Inadequate numbers of personnel, particularly auditors—Most of the states have adequate routine help and field investigators who check upon delinquents, although the competency of the latter is not always up to desirable levels. . . .

INADEQUATE AUDIT STAFFS

The audit staffs, however, are grossly inadequate. California is the only state which has not only made a scientific study of adequate audit programs and staffs, but has also been able to build up a competent and adequate staff. . . .

There are several reasons for the inadequacy. In a few states, but a very few, the revenue departments simply do not recognize the need for and productivity of audit. Usually, however, the fault lies with the top state administration and the legislature for failing to recognize the need. Secondly, in some instances, authorized jobs simply cannot be filled with qualified personnel, because the salaries are inadequate relative to those offered in competing employments. . . .

The extremely high productivity of audit demonstrates very clearly the complete lack of wisdom of hiring unqualified persons. In all states the audit programs yield in direct recovery much more than they cost, quite apart from the very significant indirect gain from improved reporting by firms once audited, or ones aware that they are likely to be audited. . . .

The point should be stressed that most underpayment of sales tax does not involve deliberate fraud, although there are always a few chiselers. . . . Most underpayment arises from failure to keep adequate records of sales of taxable and nontaxable items, sales made tax free for resale of goods used for taxable purposes by the purchaser, misapplication of tax on items on the borderline between exempt and taxable classes, and failure to pay use tax on goods bought from outside the state.

OTHER ENFORCEMENT WEAKNESSES

Apart from the major defect of inadequate audit, many sales tax enforcement programs suffer from other weaknesses, which more adequate and competent staff and changes in legislation could correct. These can only be listed briefly:

1. Some states are lax in going after delinquent firms, and thus considerable tax revenue, though not a high percentage of the total, is lost, either because the firms go bankrupt and have no assets, or because the owners disappear. . . .
2. Some states find that local law enforcement officials will not cooperate in executing liens against delinquents or enforcing license revocation orders. The result is that delinquent firms will continue to operate, building substantial tax liabilities which they can never pay.
3. Audit selection systems are often very inadequate, and thus audit is not concentrated along the most remunerative lines. California and Michigan have developed more scientific selection techniques than any other states.

4. Many states have failed to analyze their own operations, to develop statistics relating to sources of delinquencies, audit recoveries, turnover of firms, and the like to guide their operations along more scientific and productive lines. There are exceptions, including California, Kansas, Kentucky, Michigan, and others.

There has been a rapid increase in recent years in the introduction of electronic data processing equipment, which will greatly facilitate quick ascertainment of delinquents, scientific selection of firms for audit, and analysis of operations and preparation of statistics. . . .

STRUCTURE OF THE TAXES

Many states could obtain substantial additional revenue at a given tax rate by extending the coverage of the taxes, either by removing exemptions or adding various services to the tax. A broader base has several advantages. . . . On the other hand, certain exemptions may be regarded as essential in terms of general social policy: food and medicine, for example. Decision as to these two categories must be made in terms of value judgments about the desirability of lessening regressiveness. . . .

. . . . .

MUNICIPAL SALES TAXES

Application of sales taxes by municipal governments has numerous inherent disadvantages, which are beyond the scope of this paper. In general, if a state has a sales tax, and if more revenue for the state and local governments combined is required from the tax, it is far more satisfactory to raise the state rate and distribute the additional revenue to the local governments on some formula. But if a state is unwilling to do this, or if only a few cities in the state urgently need additional revenue, authorization of municipal sales taxes may be a lesser evil. . . .

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LOOKING AHEAD

Sales taxes will undoubtedly increase in importance over the years in state-local finance. Their over-all effectiveness can be greatly increased by improvement of administrative standards and extension of coverage. Failure to provide adequate funds and standards for administration is the worst possible economy in state government. Extension of coverage instead of rate increases will provide greater equity, facilitate operation of the taxes, and minimize adverse effects upon the economy of the state.

Increasing the Revenue From State Income Taxes

A statement by John A. Gronouski (5:46-51) identified issues.

. . . improving the income tax means something more than making it a more equitable tax and simpler from the standpoint of compliance and administration. While these are worthy objectives and must not be sacrificed in the process, the most pressing present need is to make the income tax a more effective revenue producing instrument.

The individual income tax, like the general sales tax and the property tax, is a broad base tax; it has the capacity of producing a relatively large amount of revenue with comparatively low rates. . . .

. . . tax students during the past few years have shown increasing concern over what they term "erosion of the income tax base."[1] While the base of the federal income tax, and that of most states, is still substantial, they note that it has been seriously reduced through the adoption of a variety of loopholes, exclusions, deductions, and tax credits. This erosion has not only diminished income tax revenue productivity with a given rate structure; it has at the same time lessened the neutrality of the tax in its impact on taxpayers in similar financial circumstances.

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[1] Pechman, Joseph A. *Tax Revision Compendium.* "The Corporation Income Tax Base," and Hellmuth, William F. Jr., "Committee on Ways and Means." Volume I, November 16, 1959.

Expansion in the revenue productivity of the individual income tax can be achieved simply by increasing the basic rates. . . .

Rates are competitive with base; that is, the smaller the tax base the higher must rates be to produce a given amount of revenue. In most income tax states (including those whose statute is patterned after the federal law) a substantial increase in revenue productivity could be gained under the present tax rate structure simply by broadening the base against which those rates are applied. This alternative is particularly attractive for the growing list of states where the starting rate has already reached the 3 percent level, and where rate increases are resisted on grounds that they are already as high or higher than those prevailing in other states.

There is a more fundamental basis, however, for giving first priority to the base broadening alternative. As previously noted, to the extent that certain types of income are excluded from the tax base or accorded preferential treatment, the income tax law lacks basic neutrality in its distribution of tax burden among taxpayers in similar financial circumstances. Such lack of neutrality, which exists to a marked degree at the federal level and in most states, creates serious equity problems even when tax rates are low. Increasing tax rates without correcting the causes of unneutrality tends to magnify these distortions in the pattern of tax burden distribution.

. . . . .

INCOME EXCLUSION PROVISIONS

. . . . .

There appears to be no valid reason why a person in the same or better financial circumstances than his neighbor should have a lower tax bill simply because of the source of his income. . . .

. . . . .

. . . While convincing arguments can always be made by interested parties for special treatment of specific income items, exclusion of income must inevitably result in higher over-all tax rates than would otherwise be necessary, and a disproportionately heavy burden of taxation on those taxpayers with kinds of income that do not qualify for special consideration.

PERSONAL DEDUCTIONS

These comments on income exclusions apply with equal force to certain personal deductions which are incorporated in the income tax laws of the federal government and most states. . . .

. . . . .

A strong case can be made for holding personal deductions to a minimum on grounds that most deductions presently allowed (medical deductions excepted) tend to impair rather than improve the neutrality of the income tax burden structure. It should be emphasized again that tax base and rates are competitive; increasing revenue by broadening the income tax base—by strictly limiting income exclusions and personal deductions—results in a far more equitable tax burden distribution than the alternative of applying increased rates against a narrow base.

The effect of tax base erosion on revenue productivity was clearly demonstrated by Peckman in his federal income tax base study. He concluded that elimination of the major eroding features of the federal tax law would increase the tax base by more than one-third, permitting a proportional reduction of rates by at least 30 percent (from the present 20 percent to 91 percent range, to a range of 14 percent to 64 percent) without revenue loss.

EROSION AND ADMINISTRATION

Where erosion of the tax base is caused by statutory income exclusions and deductions it at least can be said that the choice of higher tax rates (rather than a broader tax base) is a result of overt policy decisions. Moreover, while such provisions taken together seriously damage the effectiveness of the income tax as a revenue producing instrument, in almost every case some rational grounds can be found for their support.

No such defense can be made, however, for another major area of tax base erosion—that resulting from the combined effect of taxpayer evasion and an inadequate enforcement effort. . . .

At the federal level and in about two-thirds of the income tax states, wage-earner tax evasion and delinquency has been reduced to a minimum as a result of adoption of withholding at the source. In the case of wages and salaries, therefore, evasion remains a problem only in the eleven states which to date have failed to adopt this obvious administrative reform.

A serious evasion problem remains, however, in other income areas: mainly interest and dividends, business (including farm) and professional earnings. Perhaps of even greater importance is the tax base erosion which results from the modern phenomenon of expense account living. The practice of using expense accounts to finance personal living expenses has reached alarming proportions in recent years. Entertainment at theaters, restaurants and nightclubs; private club dues; pleasure trips abroad and vacations using company facilities; personal use of company automobiles—these and many more items of personal expense are casually charged off as ordinary and necessary business expenses.

While in some cases legislation may be necessary on such improvements as dividend and interest withholding and dollar limits on entertainment expenses, a major part of the evasion problem would be resolved by an adequate staffing of income tax enforcement agencies. In the majority of states the audit staff is grossly inadequate in size, and suffers in quality because of the inability to attract high-grade talent at prevailing salary scales. This is a particularly serious problem, for the income tax would break down completely as a revenue instrument without the voluntary compliance of a high proportion of taxpayers, and nothing is more damaging to the morale of conscientious taxpayers than the realization that large scale tax evasion by their neighbors is going unchecked.

Closing Tax Loopholes

One of the problems encountered in raising state funds is the erosion of revenues by a variety of "loopholes." Walker (6:104-12) defined this term and offered authoritative advice in dealing with this problem. Excerpts from her article follow.

Before we can consider the process of closing loopholes in state and local taxes we must have some understanding of what they are, and here we get on shaky and uncertain ground.

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. . . Actually, . . . taxwise the term is vague almost to the point of being meaningless. It has been said that "one man's loophole is another man's equity."

Society has never contemplated taxing everyone, so even in its most complete form our tax net is sufficiently sieve-like to permit persons with little or no income to slip through the mesh. There has never been any intention to tax all persons or all income, or even all property or all sales. . . .

[The] loopholes fall into three major categories: legislative, administrative, and structural. Moreover, in each of these categories the loopholes may be either deliberate or accidental.

Not only are there initial loopholes, but once a tax is enacted, there is a constant process of erosion. The term implies a form of tax escape whereby a person avoids payment of a tax which he would otherwise have to pay. But there is another form of tax loss wherein the taxpayer pays, but the government does not get the revenue. For want of a better term, I shall call this a leakage. I shall discuss this tax loss later.

It may make our task easier if we consider some of the loopholes and leakages in two or three of our major state and local taxes, and ponder what can be done about them.

PROPERTY TAXES

The tax that is of major interest in connection with state and local government, and particularly in connection with the financing of education, is the property tax.

EXEMPTIONS

Exemptions constitute the most obvious loopholes. The list is a long and growing one. Moreover, closing an exemption loophole is an almost impossible task. To stem the tide of new exemptions may be as much as, or indeed more than, we can hope for at present.

It seems to be part of our national psychological heritage to consider property tax exemption as an ideal means of promoting worthwhile enterprises, dispensing charitable aid, furthering social reforms, or showing esteem and gratitude. There is little or no recognition of the fact that many of these objectives could be more effectively, more economically, and more equitably achieved through a direct and visable subsidy. Instead, however, we prefer the devious, never-count-the-cost method of chiseling away at our property tax base, in true devil-take-the-hindmost fashion.

There are certain universal and longstanding large categories of tax-exempt property. They consist of property owned by governmental agencies and by educational, religious, and philanthropic organizations.

We are not content with these major categories, however, but are constantly adding new ones. Some of the widespread additional exemptions are accorded to veterans, blind persons, and public housing. Several states grant homestead exemptions.

This process of granting exemptions feeds upon itself. As more and more exemptions are granted, the tax burden becomes heavier upon the persons left to carry the load, so a clamor begins to be heard for even more exemptions.

A political nostrum that is particularly popular at present is to grant limited property tax exemptions to persons over 65. The federal government has set a precedent for this with its double income tax exemption to such persons. Both of these devices are crude, inequitable, and extravagant methods of granting aid to the needy aged. To begin with, the most needy aged are unlikely to be either property owners or income recipients. Therefore, these exemption devices offer no help at all to them. Moreover, with respect to the income tax exemption, they represent a bigger concession to the upper bracket income recipient than to the one in the lower brackets, since the latter receives a reduction of only the bottom rate of 20 percent on his additional $600, whereas the higher income recipient receives the equivalent of the upper rate to which he is subject applied to the $600. Some states also grant this double exemption.

With respect to the property tax, owners of property of equivalent worth may receive different concessions due to variations in ratios of assessment. This is, of course, also true with respect to exemptions for veterans, the blind, and other groups.

At least three states (Maine, Massachusetts, and New Jersey) have granted exemptions to the aged. Similar proposals are being pushed in other states. Suppose we look for a second at the New Jersey law. A person of 65 or over whose income does not exceed $5000 is allowed an exemption of $800 on his home. Now the first thing you might notice is that an exemption of $800 is not going to be very significant to most homeowners, unless property is assessed at a very low figure. Second, a retired person with an income of $5000 who owns his own home, on which there may be no indebtedness, is in a much better position to pay a modest tax than a younger person who might be making little or no more than that amount and who has to support a family and also pay taxes on his property, which is quite likely to be mortgaged.

In this process of robbing Peter to pay Paul it is precisely these struggling younger taxpayers who are hit by the generosity to older persons, many of whom are not really in need of this aid. As the tax burden on these younger persons increases we shall hear more of tax resistance and even tax strikes.

Similar comments could be made with respect to the tax exemptions being tendered to homeowners, veterans, blind persons, widows, and various others.

One unique type of exemption which struck me as being most extraordinary is found in Rhode Island. That state grants to the president and professors of Brown University a property tax exemption up to $10,000 on their property.

I didn't see anything about Rhode Island school teachers getting an exemption, . . .

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Many persons in the tax field are seriously concerned about the increasing erosion of the property tax base. . . .

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ADMINISTRATIVE SHORTCOMINGS

However much we may deplore the vast and growing number of exemptions, it can at least be said for them that they represent deliberate public policy and that they are legal.

Tax loopholes arising from discriminatory and inefficient assessment are in an entirely different category. They are illegal; they do not represent the will of the populace; and to the extent that they result from inefficiency they do not even represent the intent of the administrator.

Probably a substantial amount of property tax revenue is lost due to shortcomings in property tax administration. The property tax is not easy to administer. Trained personnel are needed for the equitable assessment of even relatively modest homes. As properties increase in value, the difficulties become greater. The task of assessing large industrial complexes is far beyond the capacity of most assessors, yet some of these establishments are found in small rural areas having untrained assessors.

Not only is revenue lost, but substantial injustice is done to some taxpayers, who may be paying far more than they should while others escape their fair share of the tax burden. Research studies in state after state have documented instances of inequitable assessment. In a recent study in Ohio [3] it was shown that variations in the assessment of individual properties within the same city ranged from 12 percent to 108 percent of sales values. Similar studies would probably reveal equally striking inequities in most of the states.

Not only do a large proportion of the assessors lack the technical ability to make accurate assessments, but some of them also practice a deliberate policy of discriminatory assessment. Some favor small homeowners. Others favor industrial enterprises. Under-the-table concessions are offered as an inducement to new enterprises and perhaps also to established enterprises. Local businesses are favored at the expense of concerns whose home office is in another city or state. In addition to being illegal and unfair, such procedures result in permitting some taxpayers to escape taxes that according to the law they should pay.

Another loophole, or rather leakage —if you recall that I am using the term leakage to refer to taxes that take money from taxpayers that does not find its way into the public treasury— of this sort is found in connection with the fee system of remuneration for tax collectors and for some other public officials.

Mitchell J. Hunt, a researcher with the Pennsylvania Economy League, has called this system "an unseen hand in your pocket." [4] . . .

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STATE PERSONAL INCOME TAXES

The second major tax that I wish to discuss in this connection is the state income tax.

EXEMPTIONS

Here again exemptions are a matter to be considered. Some of our states grant such generous initial exemptions that they eliminate a large portion of the taxpayers at the outset.

ADMINISTRATION

. . . Through administrative laxity, however, unscrupulous taxpayers may escape all or a part of the tax. This laxity may be due to lack of funds and personnel for more effective administration.

A significant step has been taken in recent years to tighten the income tax net for tax dodgers through a shift to withholding of state income taxes. . . .

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[3] Ohio Legislative Service Commission. *Local Government Financing Problems in Ohio.* Staff Research Report No. 33. Columbus: the Commission, 1959. p. 23.

[4] Hunt, Mitchell J. "The Fee System of Tax Collection in Pennsylvania—An Unseen Hand in Your Pocket." *Tax Policy,* 26: 3, 7; August-September, 1959.

STATE CORPORATE INCOME TAXES

. . . Less has been said about loopholes in state corporation income taxes than about federal loopholes, but undoubtedly many of the same problems exist in connection, for example, with expense accounts, capital gains, etc. Moreover, it is likely that standards of administration vary greatly in the states imposing taxes on corporate income.

COMPLIANCE COSTS

Most of the tax losses that have been mentioned so far favor some taxpayers at the expense of others. We often lose sight of the fact, however, that much of the tax cost borne by the taxpayer may never reach the governmental treasury. This happens when because of red tape or inefficiency the cost of tax compliance is excessive. This is one of the losses that I call a leakage rather than a loophole. Oddly enough, very little attention has been paid to this facet of taxation.

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. . . Automatic data processing will eventually compel coordinating and standardizing of state and local taxes. . . .

LOCAL SALES TAXES

It is probable that there is considerable tax leakage from imperfect administration of various local taxes. The local tax history in California offers some striking evidence of this. There were substantial increases in the yields of local sales taxes in California after the transfer of administrative responsibilities from the local governments to the state. . . .

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Slipshod administration of any tax results, of course, in tax leakages and also in tax injustices. Good administration is fundamental to a good tax system. It is encouraging to report that increasingly high professional standards are being developed among tax administrators, but much more attention needs to be given to the subject.

CONCLUSION

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The best way to close a loophole is to prevent it from being opened. There is a ratchet process involved here, as well as in nature and in mechanics. The going through is easy. The reverse movement is practically impossible.

Some of the most urgent things to be done in closing loopholes are:

Stem the tide of increasing exemptions. This does not mean that one should take a hard-boiled attitude toward social needs, but if certain groups need help, then let us aid them honestly, directly, and efficiently with welfare programs tailored to their needs; and let us stop using the costly, hit-or-miss, wholesale and far more costly method of granting exemptions which benefit many persons who do not need the aid.

Work for better tax administration at all levels of government and in connection with all taxes. We cannot overemphasize the importance of honest and efficient tax administration of every tax. . . .

Our tax system, no matter how well devised, will never rise above the quality of its administration. This is particularly important in connection with property taxes. Demand full-time, appointed, trained assessors using tax maps and tax manuals. In many places a full reappraisal of property is needed. Work with International Association of Assessing Officers to secure higher levels of property tax administration. In connection with the administration of other state and local taxes, keep in touch with such groups as the National Association of Tax Administrators and the Municipal Finance Officers Association. All three groups are located at 1313 East 60th Street, Chicago 37, Illinois.

Work for a more logical system of local governmental units. We cannot much longer indulge ourselves in myriads of illogical, inefficient, uneconomical, and overlapping small units of local government. Diversity of resources among these units is becoming too exaggerated; the burden of compliance with all their demands is becoming too oppressive; and the over-all tax pressures are becoming too heavy to permit this continued indulgence.

Automatic data processing is being developed in federal tax administration. We can probably anticipate the time within the near future when it will also be widely used in state and local tax administration. Automatic data processing may perhaps offer the hope that we may finally be able to approach scientific assessment of property.

But computers are geared to large enterprises. They are beyond the reach of the small unit. When ADP comes to be used in property assessment we shall face some revolutionary changes. It may be that small units will contract with larger ones for the assessment of their properties; it may be that several units will cooperate on a regional basis; or it may be that we shall have much larger local units. The tides of change are rushing in upon us.

Tax-Exempt Bonds

CEF Report, August 1960, No. 2 (7:10) reported a study concerning the federal tax exemption on state and local bonds.

A . . . study by Roland I. Robinson for the National Bureau of Economic Research reports that states and local governments have bargained away the privilege of tax exemption for less and less in terms of lower interest costs in order to find markets for the increasing volume of state and local bond issues.[8] Thus the advantages of tax exemption accrue more to the investor in terms of interest which is free from federal taxes than to state and local governments in terms of lower interest.

When viewed as a problem in economics rather than politics, the tax exemption has become an increasingly ineffective aid to state and local governments because the revenue lost by the federal government is split up between the investors and the borrowing governments. Thus the tax exemption becomes a subsidy of somewhat less than complete effectiveness. A direct subsidy would not have to be shared with investors.

Robinson attempted by rough measurement to determine what portion of the revenue that was lost by the federal government on new state and local bonds because of the tax-exempt interest was recovered indirectly by state and local governments in the form of lower interest rates. In 1947 from three-fifths to three-fourths of the revenue lost by the federal government was recovered by state and local governments through reduced borrowing costs. In the 1950's the percent recovered fell to as low as 20 to 30 percent, then rose slightly from 25 to 30 percent by 1955. This indicates considerable withering away of the advantage of the exemption to state and local governments in the postwar years. In 1955 the interest cost reduction to state and local governments was estimated at $14.7 million on net purchases of new issues by taxable investors compared to a revenue loss to the federal government estimated from 3.4 to 3.9 times as great. The estimate of loss is based upon various assumptions about alternate investments in taxable bonds and equities available in 1955.

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[8] Robinson, Roland I. *Postwar Market for State and Local Government Securities.* A study by the National Bureau of Economic Research. Princeton, N.J.: Princeton University Press, 1960. 227 p.

Outlook for Sources of School Revenue

Jesse Burkhead (8:93-95) in discussing the outlook in 1963 for school revenue sources stated:

An examination of intergovernmental support for public education since the end of World War II reveals a remarkably stable, almost rigid pattern [as to percent from each level.] . . .

. . . . .

STATE SUPPORT

State aid for public education is usually paid out of general fund revenues; less often does it come from earmarked revenues. Therefore the willingness and the ability of state governors and legislatures to propose and vote additional amounts for state aid depend in substantial measures on the responsiveness of state general revenues. . . .

The conclusion is inescapable. The states will have the greatest difficulty in holding their proportionate fiscal support of public education by way of state aid in the years ahead. This support can be held only by continued increases in tax rates and by continued broadening of tax bases. . . .

LOCAL SUPPORT

Local government tax revenues have turned out to be substantially more elastic than state general fund revenues in recent years. From 1950 to 1960 the coefficient of responsiveness for property tax revenues was 1.43; that is, an increase of 1 percent in personal income was associated with 1.43 percent increase in property tax revenues. Thus the property tax has been a more responsive source of revenue, measured with respect to income, than has state tax revenue as a whole.

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There is no evidence whatever that the property tax will soon be supplanted by local nonproperty levies for the support of public education or for the support of other local government functions. Local nonproperty taxes have stabilized out at about 12 to 13 percent of all local government tax collections in recent years. Although additional levies will, of course, be enacted in specific jurisdictions from time to time and rates of existing levies increased, the relative contribution of these nonproperty revenues will surely continue to be modest.

Future State-Local Policy

James A. Papke (9:143-50) in 1964 outlined probable future trends as to amount of public revenue which will be required and future changes in state and local revenue systems.

. . . due to the interaction of economic forces and political processes, the means to satisfy the increasing demand for collective wants associated with our growing affluence are lagging. Recognition and understanding of the causes of these diverging forces will go a long way toward the formulation of rational state and local fiscal policy.

But the purpose of this paper is not to develop normative goals of state-local government fiscal behavior. Rather, it is to speculate on the probable future course of state and local systems; more specifically, to project what policies will likely be pursued, given certain specified and reasonable assumptions regarding the long-range determinants of structural revenue changes.[2] These determinants have their underpinnings in forecasts of economic growth rates, population increases (size, density, composition, and mobility), and price level changes. The discussion to follow begins with a glance at the long-range prospects for state and local government expenditures, proceeds to a brief examination of existing revenue sources, and concludes with some judgments regarding expectations of future revenue-producing measures.[3]

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. . . In the first place, the rate of increase in state and local spending exceeds the rate of growth in gross national product, indicating a larger share of the nation's future productive output will be devoted to the public services provided by state and local governments. In the second place, projected expenditures on education show a high degree of stability in the over-all magnitudes, constituting just over one-third of total spending. . . .

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Throughout the postwar period the general sales or gross receipts tax has been the outstanding revenue producer for state governments. . . . Among the most prominent developments in the field of sales taxation are: expansion of the tax base by including more services and restricting exemptions and exclusions; rate flexibility—during the past five years, 14 states and the District of Columbia raised their sales tax rates (Illinois, Pennsylvania, and Utah twice over the period); and adoption of the tax by local units as supplements to state-administered levies.[12]

Income taxes rank second in order of productivity among state tax sources. In 1950, income taxes accounted for 16.5 percent of total tax collections; in 1962, the ratio was 19.4 percent. Currently, 38 states and the District of Columbia impose the corporate and/or individual income taxes. As in the case of sales taxes, upward adjustments in income tax rates have been common. . . .

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Time does not permit a state-by-state examination of tax revenues, but variations are wide, reflecting interstate differences in economic capacity, resources, prevailing attitudes toward the level of public services, the degree of local autonomy, and the like. Also, while there is a tendency toward uniformity among the states with regard to major state tax sources, the persistent pressures for stop-gap revenues have given impetus to the testing of a wide assortment of new tax sources. . . .

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. . . the property tax remains the bulwark of local finance, providing around 70 percent of the revenues from self-raised sources and just under 50 percent of the current revenues from all sources. The former proportion, interestingly, has not changed significantly in the postwar period. On the other hand, the latter declined somewhat between 1946 and 1950, but has since stabilized at its lower level. . . .

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[2] Attention is focused primarily on tax policy. The functions and characteristics of debt policy and federal aid are sufficiently dissimilar to warrant separate treatment.

[3] Reference here and throughout the discussion is to the aggregative pattern of tax finance, not that of any particular state or region. The developments in specific instances will depend on such things as the nature and extent of local taxing powers, economic occurrences, political atmosphere, and existing state-local financial arrangements.

[12] See: Due, John F. *State Sales Tax Administration.* Chicago: Public Administration Service, 1963.

Perhaps the outstanding over-all development in local finance in the postwar period has been the remarkable performance of the property tax. Local property tax collections over the decade of the 1950's increased at an average annual rate of 8.6 percent, sufficient to maintain the levy's relative position as a revenue producer. And to insure its continued productivity, 32 states and the District of Columbia enacted condominium property statutes last year.[15]

Not to be overlooked in a review of the developments in local financing arrangements are the growing efforts to reduce reliance on property taxes by adopting nonproperty taxes, notably in large metropolitan areas (jurisdictions with greater tax autonomy) of certain states. New adoptions, rate increases, and general economic expansion explain the fact that local nonproperty tax revenues have been able to keep pace with property tax collections.

PROSPECTS FOR STATE AND LOCAL REVENUE SYSTEMS

. . . The largest portion of the increase in tax revenues over the last decade can be attributed to positive changes in the rates or expansion of bases of existing levies (witness the stability and uniformity in the revenue structures). But the fact that the bulk of state-local budget policy has centered on adjustments in "old taxes" speaks of their lack of responsiveness to growth in the economy and of the presumption in favor of cultivating intensively accepted features of the tax systems.

. . . Studies of the income or gross product elasticity of consumption-type levies (including the property tax), which are the mainstay of state-local finance, indicate a relationship of around one.[16] Consequently, automatic revenue increases will lag behind expenditure demands. Also, though existing taxes will undoubtedly be exploited further, consistent with the practice of following the path of least resistance and minimum disturbance, when pushed to extremes, the demand for additional measures will become compelling.[17] Thus, it seems, the stage is set for at least an equal volume of revenue-raising activity in the immediate and near future as in the recent past.

In what areas and on what measures will the activity concentrate? Because the number of alternatives by which the discrepancy in the prospective development of expenditures and revenues can be resolved is necessarily limited, several generalizations can be made. Some relief is likely to be realized through the transfer of more responsibility for certain functions to the federal government. But, in the main, state governments will have to take the lead in resolving their own problems and alleviating local fiscal pressures by adopting measures which will accomplish the threefold objective of providing additional permanent revenue, more adequately reflecting the changing conditions of a dynamic economy, and insuring diversity or balance so as to spread the burden of increasing high tax rates. In a word, as the weight of the budgets increases there will, in all likelihood, be a continued move in the direction of achieving greater balance in the distribution of tax liabilities as measured by income, wealth (ownership of property), and expenditures for consumption.

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[15] See *State Tax Review*, Vol. 25, No. 2 (January 14, 1964) for a brief description of these laws.

[16] That is, the percentage change in tax receipts is approximately equal to the percentage change in income or production. See among others: Groves, H. M., and Kahn, C. H., "The Stability of State and Local Tax Yields." *American Economic Review*, March 1952; and Newcomer, Mabel, "The Decline of the General Property Tax." *National Tax Journal*, March 1953.

[17] The movement for diversification of tax sources will, of course, depend upon the present structures in the various states. It will likely be strongest in those states which depend disproportionately on a single levy (e.g., Michigan, Illinois, and Nebraska).

As indicated earlier, the trend toward the "harmonization" of revenue structures is already underway. States heretofore relying primarily on personal income taxes are turning more and more to sales taxes for additional revenues. Conversely, the traditional sales tax states are enacting personal and/or corporate income taxes, or have them regularly under consideration. More than half the states presently have both sales and personal income levies. On the direct point of the forces opposing the application of excessive rates to single taxes and the employment of both income and sales taxes to achieve the desired allocation, the Federal Reserve Bank of Chicago recently observed:

> Fifteen years ago, only 16 states employed both of these levies. This development along with the more general use of other tax measures suggests a trend toward diversification of state revenue systems.
>
> The extent to which a state can exploit any given kind of tax often is limited by the practices of other states which "compete" with it as a site for new industrial development. Substantial differences between income or sales tax rates on the two sides of a common border may well constitute a deterrent to further increases by the state having the higher rates as well as an invitation to the neighboring state to raise its rates. If spending pressures continue strong, the individual states may well move further in the direction of diversification of their revenue systems, with the types and levels of taxes tending to become more or less uniform.[18]

In several states where, for various reasons, realization of some combination of broad-based state levies has encountered obstacles, the local units have taken the initiative. Pennsylvania, New York, Ohio, and more recently Michigan are examples. The further broadening of local taxing powers will probably serve to take some of the onus of recommending and raising taxes from state officials. It does not appear likely, however, that the extension of authority will take the form of residual "tax-anything laws" similar to Pennsylvania's, but instead will be granted selectively to those units of sufficient size and resources which can effectively administer completely independent local levies.

Also at the local level, the pressures for relieving the tax burden on property will likely take the form of more extensive employment of user charges coupled with the assumption by states, either directly or indirectly through expansion of state aid, of responsibility for more functions. This is not to say, however, that the taxation of property will decline in any absolute sense or be supplanted by other revenue sources. On the contrary, all indications point to increases, but the relative importance of property taxes in state-local revenue systems will be reduced. Administration of the tax will also be improved.

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To summarize, in discussing the composite picture of future changes in state and local revenue systems, the intent was to place major responsibility on the states to determine whether present and future financial problems are to be resolved effectively and efficiently. By implication, at least, it is suggested that long-range budgetary considerations extend beyond the boundaries of local jurisdictions. It is the states which must ultimately assure adequate standards of performance, and it is the states which must innovate, initiate, and supervise improvements in the property tax and provide acceptable alternative means of raising additional revenues. Thus, if a single central problem confronting the states in the immediate future can be identified, it is the resolution of the conflict between expediency and rationality in taxation. The conclusion that revenue systems will be revised seems inescapable; if, at the same time, they can be reformed, then the need for future structural changes will be minimized.

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[18] *Business Conditions*, October 1961, pp. 15-16.

Elasticity in State School Support

CEF Report, May 1961, No. 3 (10:6-7) reported a study of elasticity of educational expenditures by states.

State-by-state calculations of the elasticity of educational expenditures were made by Eugene McLoone to compare the change in current expenditures per pupil in average daily attendance with changes in per-capita personal income.[4] Table 5 summarizes the experience of the 48 states and the District of Columbia for four different periods: 1929-30 to 1957-58, 1929-30 to 1943-44, 1943-44 to 1957-58, and 1947-48 to 1957-58.

The figures in the table are coefficients of elasticity. A coefficient of one means that 1 percent change in current expense per pupil in average daily attendance occurred with a 1 percent change in personal income. A coefficient of less than one means that a less than 1 percent change in current expenditures occurred with a 1 percent change in per-capita income. The state coefficients shown in the table compare

TABLE 5.—INCOME ELASTICITY OF PUBLIC ELEMENTARY AND SECONDARY EDUCATION, OVER TIME, BY STATE, UNITED STATES, SELECTED PERIODS, 1929-30 TO 1957-58[a]

State	Coefficients of elasticity			
	1929-30 to 1957-58[b]	1929-30 to 1943-44	1943-44 to 1957-58	1947-48 to 1957-58
United States average	.99	.46	1.61	1.34
Alabama	1.04	.46	1.98	1.48
Arizona	.89	.38	1.73	1.17
Arkansas	1.08	.70	1.72	1.45
California	.81	.42	1.61	1.29
Colorado	.86	.45	1.58	1.41
Connecticut	1.05	.59	1.32	.93
Delaware	1.05	.31	1.63	1.30
District of Columbia	1.25	.67	1.67	1.58
Florida	1.13	.54	1.93	1.25
Georgia	1.12	.56	2.07	1.55
Idaho	.82	.39	2.08	1.66
Illinois	.99	.65	1.37	1.22
Indiana	.94	.47	1.45	.75
Iowa	.86	.41	1.75	1.36
Kansas	.88	.46	1.77	1.29
Kentucky	.94	.65	1.32	1.12
Louisiana	1.22	.74	1.94	1.45
Maine	1.07	.44	2.01	1.72
Maryland	1.27	.43	1.75	1.08
Massachusetts	1.01	.72	1.05	1.07
Michigan	.92	.44	1.67	1.57
Minnesota	.93	.51	1.44	1.23
Mississippi	.98	.45	2.28	2.06
Missouri	.96	.50	1.45	1.34
Montana	.86	.50	1.33	1.09
Nebraska	.93	.53	1.74	1.28
Nevada	.72	.18	1.61	1.19
New Hampshire	.99	.46	1.47	1.06
New Jersey	.95	.60	1.21	.91
New Mexico	.91	.50	1.42	1.10
New York	1.00	.40	1.66	1.48
North Carolina	1.15	.74	1.84	1.39
North Dakota	.67	.23	1.76	.29
Ohio	.88	.47	1.36	1.01
Oklahoma	.97	.61	1.58	1.20
Oregon	1.09	.27	2.98	2.07
Pennsylvania	1.04	.53	1.68	1.51
Rhode Island	1.11	.66	1.44	1.16
South Carolina	1.06	.61	1.92	1.37
South Dakota	.70	.37	1.46	1.05
Tennessee	1.00	.47	1.83	1.30
Texas	1.00	.47	1.87	1.34
Utah	.91	.48	1.74	1.74
Vermont	1.05	.61	1.69	1.37
Virginia	1.12	.69	1.52	1.18
Washington	.96	.54	1.80	1.26
West Virginia	.88	.60	1.33	1.18
Wisconsin	.97	.50	1.69	1.42
Wyoming	.85	.43	1.73	2.04

Source:
McLoone, E. P. *Effects of Tax Elasticities on the Financial Support of Education.* Doctor's thesis. Urbana: University of Illinois, 1961. Tables supplied by author.

[a] Based on least square equation CE = aI, where CE = current expenditures per pupil in average daily attendance, and I = per-capita personal income for calendar year in which school year begins.

[b] Omission of data for 1943-44 and 1945-46 generally provides best fit of data for period from 1929-30 to 1957-58.

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[4] McLoone, Eugene P. *Effects of Tax Elasticity on the Financial Support of Education.* Doctor's thesis. Urbana: University of Illinois, 1961.

each state with its own past experience in changes in expenditures per pupil and personal income. Caution is warranted in the interpretation of the state coefficients, since neither expenditures nor personal income basic data are corrected for price changes.

The over-all trend for the period 1929-30 to 1957-58 indicates that in most states per-pupil expenditures moved with changes in per-capita income. For the 48 states and the District of Columbia, the coefficient of elasticity was 0.99, indicating that per-pupil expenditures moved almost in exact proportion to changes in per-capita income. Twenty states and the District of Columbia had coefficients of elasticity greater than 1.00. In another 16 states at least 9/10 of 1 percent change occurred in per-pupil expenditures with a 1 percent change in per-capita income.

The results for the subperiods are quite different. In the period 1929-30 to 1943-44 no state achieved four-fifths of 1 percent change in per-pupil expenditures relative to a 1 percent change in per-capita income. Twenty-four states and the District of Columbia experienced a one-half of 1 percent change in per-pupil expenditures accompanying a 1 percent change in per-capita income. Six states had less than two-fifths of 1 percent change in per-pupil expenditure occurring with a 1 percent change in per-capita income.

In the subperiods 1943-44 to 1957-58 all states had more than 1 percent change in per-pupil expenditures accompanying a 1 percent change in per-capita income. The coefficients for the subperiod 1947-48 to 1957-58 were supplied by Dr. McLoone to the *CEF Report* in order to summarize the experience of the past 10 years, which was marked by rapid growth of enrollment, per-pupil cost, and personal income. The coefficients for this 10-year period, while considerably lower than those for the 14-year period beginning with 1943-44, are still in excess of unity in all except four states, Connecticut, Indiana, New Jersey, and North Dakota. North Dakota reflects almost no relation between income changes and current expenditures per pupil in average daily attendance because per-pupil expense continued to increase while personal incomes fluctuated widely.

Effect of State Funds on Local School Support

CEF Report, September 1963, No. 8 (11:3-4) summarized a study by H. Thomas James concerning certain determinants of school costs.

Correlations among social and economic factors of the community and educational expenditures are reported by H. Thomas James in *Wealth, Expenditure, and Decision Making for Education.*[2] The report is the second in a series of studies by James toward the development of a rationale for financing public education in the United States.

The behavior of 772 local school districts in 10 states was analyzed to determine the relationship between various levels of state support and the variations in the following characteristics: local property tax rates for schools, current expense per pupil, and voluntary tax rates excluding rates mandated by the states. The findings are summarized as follows:

- The mean required levy rate and voluntary tax rates declined with increasing levels of state support. Hence, state support was found to substitute for local levies.

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[2] James, H. Thomas, et al. *Wealth, Expenditure, and Decision Making for Education.* Cooperative Research Project, No. 1241. Stanford: School of Education, Stanford University, June 30, 1963.

- Mean expenditure levels rise as state support rises up to a point to those found in New York and California; beyond that, unless a state acts to control the substitution effect by increasing mandated local levies or by otherwise encouraging local contributions, the expenditures per pupil fall off sharply as state support rises.
- Voluntary expenditures show a fairly consistent decline with rising levels of state support.
- High support states are no more successful than low support states in equalizing property tax rates among districts.

The second phase of the study examined the relationship between equalized property evaluation, median family income, and other independent variables which were postulated as indicators of the ability of the community to support schools and the demand of the community for education with the dependent variable—per-pupil expenditures for current operation of the schools. The findings were as follows:

- Significant relationships between factors of ability and educational expenditures were found for California, Massachusetts, New Jersey, New York, and Wisconsin.
- The effects of the measurements of demand for education (years of schooling of the population, unemployed labor force, nonwhite population, rural population, and private school enrollments) on educational expenditures were weaker and less consistent than the relationships noted above between factors of ability and educational expenditures.

The general conclusion was that expenditure levels for education were related to wealth as measured by equalized valuations and median family income.

The patterns of relationship between expenditures and the variables of ability and demand were examined for the effect of a district's fiscal dependence or independence from municipal control on the level of expenditures. Fiscal dependence appeared less important than the effects of the state in which the district is located. This suggests that decisions made at the state level influence educational expenditures more than do those made at the municipal level. The study concluded that the characteristics of state regulation of fiscal decisions, i.e., conditional support, mandated programs, mandated levies, and state limitations on local levies, may be more important in controlling the level of expenditures than is the actual level of state support.

Taxes and Location of Industry

Jean Flanigan (12:127-35), reviewed research and opinion concerning effect of taxes on location of industry.

The existing research and commentaries provided both affirmative and negative answers to the question: Dc state and local taxes affect the location of industry? . . .

WHAT TYPE OF INDUSTRY WOULD BE AFFECTED?

Industries are sometimes classified as to the competitive and noncompetitive nature of the pricing of their products. Obviously, locational decisions will be fairly insulated from tax questions for the noncompetitive industry, that is, the one that is not in price competition with another firm and can, within certain limits, pass the tax on to the consumer. The noncompetitive type firm probably will not be inspired to pull up and leave for a tax haven.

This is not to say that the management of the firm will not lobby for lower taxes, will not protest, or threaten to leave. The danger the state or locality faces here is one of reputation and the possibility that rumors may reach the industrial community and influence the decisions of industries that are seeking a location.

Among competitive industries there is a wide range in profits. Some can absorb additional taxes without financial calamity. Some cannot. Where the state or locality imposes a new and heavy tax burden on an industry which is already in financial trouble or on a plant which is operating at a loss or at a marginal rate of return, the industry may, if possible, seek out a new location.

Another pertinent factor is the character of the plant. If it is the type of plant which requires a large capital investment in land, structures, and heavy machinery, the industry is apt to put up with the tax burden unless the plant is obsolete and needs replacement. Plants which are about to expand or modernize are especially sensitive.

Thus, the industries involved are (a) new ones, (b) expanding ones, (c) old ones up for replacement, and we might add another class—ones which are angry, where the situation between the taxing officials and the firm is in a state of deterioration.

The rumors about industries which have left communities because of the tax situation are hard to track down. A tracer usually turns up a few other motives for the move. Conversely, tracers on industries which are reported to have located because of tax concessions turn up other reasons for the choice of location. Motives for relocation are complicated and usually involve questions of nearness to markets and raw materials; labor, its supply, cost, and relations with the union; availability of real estate for expansion; availability of bank credit; and a host of other factors which include taxes and which all enter into determining how satisfied an industry is about its location or a proposed location.

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WHAT KIND OF TAXES ARE INVOLVED?

So far we have dealt with the characteristics of the industry which might move. Now we turn to the tax side of the question. The total state-local tax structure is so involved that it can be separated only in competitive situations within the same state. On the state level, corporations are thought to favor personal rather than business taxes. Sales and personal income taxes in that order have appeared to be best for a state that wants to attract new industry in order to increase its revenue. The effect of steeply progressive personal income tax rates on the salary of the management and on the take-home pay of employees may explain industry's preference for the sales tax. If the sales tax applies heavily or discriminately to the purchases or sales of a firm, it may lose its preferred status. Corporations also find advantages and disadvantages among business taxes. The corporation net income tax has the advantage that it is paid up only when there are profits. The tax on capital stocks is usually a fixed charge which goes on almost regardless of earnings. The foregoing is not an exhaustive treatment of the types of state taxes corporations are "willingly reluctant" to pay. The rates of the taxes and the profiles of the individual firms are also pertinent.

Even though a local property tax is used by the local governments of all the states, the types of property included in the base of the tax varies widely from state to state. Some states still use the property tax to tax almost all forms of wealth, including real estate, mineral and forest resources, personal tangible and intangible property, automobiles, bank accounts, stocks and bonds, households, and personal effects. Some states have tried to reach the wealth of modern industry and business with a tax which was designed for an agrarian economy. Machinery, inventories, and other assets of the industry may be assessed for property tax purposes. A few states have removed "hard to assess classes of property" from the local property tax. Pennsylvania, for example, levies the property tax only on real estate while its neighbor, New Jersey, still tries to tax almost everything with this one tax.

Industrial property almost defies a market value assessment. There are too few sales of industrial property; many such sales are for scrap value only. The figure placed on industrial property is highly controversial. Industries do not like the uncertainty of the assessment. It involves an annual debate with the assessor. The original cost of some new plants if used as the basis for assessments would produce a figure which is astronomical. Because localities have not yet found an equitable way to arrive at any assessment figure, we have entered an era of bargaining and negotiations. In the case of new locations, the site may not be selected until some understanding is reached with tax authorities.

ARE GOOD SERVICES IMPORTANT?

. . . an industry will leave a community with good schools but will make good schools and other services criteria for the selection of another site. On the other hand, we do not have any reason to suspect that lack of good schools has ever caused an industry to move. But we have strong evidence that lack of good schools has caused industries to reject certain sites. There is also a great deal of evidence to support the idea that industries seek out a favorable tax climate.

A favorable tax climate and the provision of good services are not incompatible. Tax climate is a subtle thing. Basically it lies in the confidence that an industry has that it will not be subject to arbitrary, unreasonable, or confiscatory taxes.

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A REVIEW OF SOME RECENT STUDIES

. . . Here are some highlights of studies made by various groups.

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EFFECTS OF BUSINESS TAX CONCESSIONS: LOUISIANA

The Louisiana study[3] was made to determine the effectiveness of industrial property tax concessions on industrial development and location. Tax concessions have been widely practiced in this country, particularly in the South. . . .

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. . . The researcher drew three conclusions from this study: (a) Tax exemptions as a device for inducing new industrial expansions which would not otherwise have occurred produced *meager* results in Louisiana; (b) the cost of the program in terms of revenue loss is out of proportion to the direct results obtained; and (c) the 10-year industrial tax exemption program for new industries in Louisiana should be re-evaluated.

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[3] Ross, William D. "Tax Concessions, and Their Effect." *1957 Proceedings of the Fiftieth Annual Conference on Taxation.* Harrisburg, Pa.: National Tax Association, 1958. p. 216-25.

NEW YORK METROPOLITAN REGIONAL STUDY

The purpose of the study of the New York Metropolitan Region was to measure how heavily and in what direction taxation would influence the location decisions of industrial firms within the region which covers the states of New York, New Jersey, and Connecticut. A sample of 25 manufacturing firms which offered data on gross receipts, annual payroll, net worth, net profit, and the value of real and personal property was studied to determine the taxes they would pay in each of 62 locations.

The three states covered in this survey have three very distinct tax structures. . . .

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Most of the industrialists who were interviewed tended to agree that taxes were a secondary consideration in seeking locations and the actual cost of taxes as revealed in this study indicated the correctness of this view. The average cost of taxes for the 25 sample firms was about 1.5 percent of sales with a variation ranging from 2.4 percent at the location with the highest tax level to 0.7 percent at the location with the lowest tax level. Differences within a range of this size would influence only location decisions. Other factors would also be taken into consideration, for they are often bigger than the tax cost. This study indicated that the state and local taxes appear to be less important in costs than transportation, labor, and space, but more important than advertising, compensation to officers, and deduction for depreciation.

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Industry is moving out of the large cities for a variety of reasons, and though tax costs are unlikely to be the main motivating factor, at least the tax incentive will assist the movement. The tax incentive, however, is not gaining strength as a locational force.

TAXATION OF INDUSTRY: SOME COMPARISONS

Strasma, in a research report to the Federal Reserve Bank of Boston, undertook to compare tax differences between states and localities.[5] . . .

Many businessmen considered state and local taxes as a good clue to the industrial climate of a community, while many officials and industrialists in states with a reputation for low taxes believed that their industry is rapidly growing. Some businessmen in other states feared that their industry was severely hurt by very high taxation on business. These conclusions were drawn from a questionnaire survey of industry. Most of the businessmen in the states with high tax levels (such as Massachusetts, Connecticut, and Pennsylvania) expressed a view that the high tax rates on business have retarded industrial development in their states. On the other hand, states with lower tax rates created a favorable climate to industry, in the opinion of the respondents. The author observed that Ohio's tax structure with relatively low tax rates on business has served to encourage new industry and the expansion of existing industries. A conclusion of this survey was that states should be very sensitive about the effect of their taxes on industrial expansion.

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[5] Strasma, John D. *State and Local Taxation on Industry*. Research Report to Federal Reserve Bank of Boston. No. 4 (1959). Boston: the Bank, 1959. 161 p.

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In concluding, the author noted that taxes influence location and expansion decisions in at least three ways: (a) Taxes may prevent expansion at the present location through the fear of increased assessments. (b) Taxes are a part of the "climate" which leads many respondents to swear that they won't consider a city or state when and if they do move. (c) Taxes are a factor in some final decisions between specific sites, and companies will negotiate on assessments before committing their investment.

NO CONCLUSIVE ANSWERS

Research on the question "Do state and local taxes influence industrial location?" has not yet supplied a conclusive answer. The motives behind the movement and location of industry appear mixed. The exact burden of state and local taxes may be less important than the tax climate—the opinion of taxpayers about the certainty, equity, and convenience of the taxes. Factors other than taxation still appear to be more important, but an onerous tax climate no doubt operates against the state and locality which desires to attract new industry.

Authorities are aligned on both sides of this question. In commenting on the potential expansion of state tax revenues, Chambers noted:

> A very favorable straw-in-the-wind is the fact that the worn idea of the states competing with each other to attract new industries by avoiding taxation, especially personal and corporate income taxes, is well on the wane. Instead it is now recognized that enlightened corporations looking for plant sites are strongly drawn by the advantages of good public school systems, as well as by the research facilities and research leadership afforded by the presence of great state universities.[6]

Strasma partially supported this view while noting both negative and positive effects of state and local taxes: "Where taxes seem to influence locational decisions strongly in the initial, almost unconscious, elimination of vast areas from consideration, services seem more likely to be a decisive factor in the final choice." [7]

Strasma quoted the following statement by an industrialist to point up his findings: "Our final decision on a location is made by an unscientific walk around town to look at the parks; to see if the grass is cut; at the schools to see what shape they are in; at the churches and homes themselves to see if they are painted and well-kept. These casual observations can reveal as much as all inducements and welcomes extended."

Groves pointed out the common-sense view:

> The common-sense view would seem to be that while the State still has plenty of choices it can make without taking undue chances with its industrial future, it would be well-advised to keep the competitive disadvantages of its tax system within reasonable bounds. Just where these reasonable bounds lie is a question of judgment that legislators must be called on to decide.[8]

The competitive aspects of the state tax systems still dominate the tax decisions of many state legislators. In the past decade, legislators and governors have been especially sensitive to threats of organizations of manufacturers. Almost all the state governments and many city governments use promotional advertising claiming they have tax climates favorable to industry.

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[6] M. M. Chambers. "Something Can Be Done About State Revenues." *American School Board Journal*, October 1959. p. 32. Reprinted with permission.

[7] Strasma, *op. cit.*, p. 22.

[8] Tax Study Committee, University of Wisconsin. *Wisconsin State and Local Tax Burden*. Madison, Wis.: the University, September 1959. p. 35.

We can make but few generalizations from the review of the existing research. These stand out: (a) An industry may leave a locality despite the provision of good schools, but the same industry will make the provision of good schools a final criterion for the selection of a new location. (b) The provision of adequate services, including schools, has not been proved to be incompatible with a good tax climate.

Estimating State Tax Revenue

It is important that the best possible procedures be employed in estimating state revenues. Overestimates result in deficits for education and other public services. Underestimates result in higher taxation than is necessary to finance the state budget.

Jewell J. Rasmussen (13:84-88, 98-99) dealt with procedures in estimating revenues of state governments as a part of state budgetary practice. The following excerpts indicate the importance of valid projections of the revenue side of the budget. Rasmussen's article also includes technical material on revenue estimating in three categories: basic methods in current use, techniques of estimating yields from proposed taxes, and some general feature of state revenue procedures. Material under these three categories is not included in the following excerpts but may be found in the original article.

Two primary factors are making it increasingly important that the best possible methods for estimating revenues be developed and utilized by state governments: (a) the continuous pressure on states for larger expenditures, and (b) the adoption of tax systems that are more sensitive to economic change. The postwar years (World War II) have witnessed an increasing demand on state governments for new and expanded services due to such factors as population growth, shift of functions from local to state governments, and better quality of services. As the variety and elasticity of state tax sources have increased in recent years, the stability of state tax systems has declined and has been replaced by a marked sensitivity to economic change.

Nevertheless, in many state budgets there is a neglect of the revenue side of the budget; in general, revenue estimates occupy a distinctly subordinate position in state budget making. Too many states still use more or less automatic or rule-of-thumb techniques in projecting their tax yields. There is also some bias in favor of a conservative approach in estimating state revenues.

Evidence of the subordinate position of revenue estimating is the fact that only a few state budgets regularly include an analysis of the projected revenues, including the assumptions, economic outlook, and special factors, if any, affecting the yield of each individual tax. . . .

Perhaps one reason for this weakness is the lack of confidence among many state officials in presently developed techniques of estimating revenue. . . .

Another possible cause of the neglect of the revenue side of the budget is the failure in many states to make revenue estimating a specialized function. Unless full responsibility is given to a single agency or individual to study revenues as a basis for forecasting tax yields on a scientific basis, then "the budget can hardly be a coordinated, internally-consistent economic document."[2]

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Unsupported and unexplained revenue estimates not based on careful studies are subject to political manipulation by the financial administrators. . . .

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ECONOMIC FACTORS AS A BASIS FOR REVENUE FORECASTS

The changes that have occurred in state tax systems in recent years have made economic factors the primary influences determining the level of tax collections. Therefore, the essence of the problem in estimating revenues is whether existing economic trends and relationships will continue in some future period. For no matter how logically conceived an estimating method may be, it will not produce satisfactory results if the economic forecast on which it is based widely misses the mark.

Fortunately for the tax estimator, the widespread interest in economic forecasting (or economic projection) is producing an extensive repository of data and other information on economic developments and relationships.

. . . since 1946, the Research Section of the National Association of Tax Administrators has conducted an annual conference on revenue estimating, the programs of which deal with the economic outlook and its relationship to tax collections.[4]

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The central core of the problem of making economic projections is the compilation of statistics by the U.S. Department of Commerce on income and product accounts. These accounts measure all national economic activity and provide the forecaster and the tax estimator with a basis for measuring economic change.

The basic economic series provided by the income and product accounts include the *gross national product* (GNP), a measure of total market value of all final products (both private and public); *national income,* a measure of the total earnings of labor and property; *personal income,* a measure of all income received by individuals—but only by individuals—from all sources including transfer payments; and *disposable income,* a measure of effective consumer purchasing power derived by deducting personal tax and nontax payments to the government from personal income.

All of these measures are available annually on a national basis, but only personal income is computed annually on a state-by-state basis and hence is the only income measure available to the states. Personal income also is the only aggregate income measure for which national totals are computed on a monthly basis. The other series are computed on a quarterly basis. For those concerned with estimating state tax revenues, *the personal income series, therefore, is the all-important measure of the state income base. . . .*

. . . analysis must be made of the personal income series and any known special conditions in each state to determine to what extent a given state is following the national pattern or deviating from it. *Each state should make a careful appraisal of its own economic strengths and weaknesses in relation to the national economy.*

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[2] Herman, Robert S. *Revenue Estimating in the New York State Government.* Albany: New York State, Budget Division, 1952. p. 13.

[4] Federation of Tax Administrators. *Revenue Estimating: A Study of Procedures and Techniques for Estimating Revenue.* Chicago: the Federation, 1956. p. 8.

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. . . It should be emphasized that a projection is not a prediction or forecast of actual conditions in a distant year, but an estimate of likely conditions under specified and reasonable assumptions.

An excellent example of the use of model building is the recent report of the National Planning Association on the American economy in 1970.[6] The report states that in the absence of all-out war or a major depression,

> . . . the principal uncertainties as to the nation's output and its distribution will depend on whether the overall rate of growth is fast or slow, and whether the American people prefer to emphasize heavy household consumption, business investment, government non-defense programs or defense.
>
> In order to account for possible differences in these factors we projected eight alternative models for 1970—each emphasizing one or another factor.

The report concludes that these alternative models provide reasonable boundary points within which future conditions will probably lie and therefore provide the basis for their 1970 judgment model projection.

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CONCLUSIONS

Unfortunately, there are still many people who regard revenue estimating as an art, not a science, and think it even partakes of the nature of the occult. In this regard, the most important action needed is to make explicit the assumptions and techniques employed. Of course, the limitations inherent in revenue estimating must be recognized and understood. There is the possibility, it is true, that revenue estimators can get carried away by a preoccupation with techniques. As stated above, however, important elements in revenue estimating can be quantified and careful research can convert guesses into insights. This situation applies particularly to the economic aspects of the problem—to the determination of the tax base. The task of the revenue estimator is not an easy one. As Arnold has well stated:

> It takes considerable courage to project future revenues at a level never experienced in the past. The burden of proof is heavy, and the implications of failure are tremendous. But this is what the budget officer is up against when he undertakes to estimate revenues in an inflationary period. Tax policy hangs in the balance, and prudence cautions against hasty actions as well as timid delay.[23]

There is considerable interest in improving the expenditure side of state budgets—and correctly so—but there is also need for adequate attention being given to the revenue side of the budget as well.

In concluding this paper, it is believed to be worthwhile to incorporate here a list of characteristics of a sound revenue-estimating system in a state government, suggested recently by Myers: [24]

1. The Division of the Budget should be responsible for the preparation of the final revenue estimates;
2. The Division of the Budget should also maintain a systematic estimating process;
3. There should be within the Budget Division (or within a Division closely associated with the Budget process such

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[6] National Planning Association. *Long-Range Projections for Economic Growth: The American Economy in 1970.* Washington, D. C.: the Association, Oct. 1959. p. 37.

[23] Arnold, James A., Jr. "Budget Estimates and Tax Policy: The New Jersey Experience." *National Tax Journal* 6: 392; December 1953. Quoted by permission of National Tax Association.

[24] Myers, Eugene A. "Revenue Estimation and State Fiscal Management." *National Tax Journal* 11: 353; December 1958. Quoted by permission of National Tax Association.

as the Department of Finance or Administration) a research unit for the conduct of this work, together with the continuous development of comprehensive statistical records and estimating techniques;

4. The tax-collection agencies should maintain an adequate organization for the preparation of primary revenue estimates;
5. The Budget Division should make a review and analysis of preliminary estimates jointly with independent tax economists and fiscal experts;
6. The budget document should contain an explanation of the revenue estimates together with the economic assumptions upon which they were based;
7. Records of current revenue estimates should be preserved for review and analysis by future estimators;
8. A continuous analysis and review should be made of trends in economic patterns within the state and nation.

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VII. Goals and Guiding Principles in State School Finance

The two preceding chapters of these Readings concerned mainly effective means of raising adequate funds from both local and state levels to pay for a system of public schools which in scope and quality accord with the wishes of the people.

This chapter concerns the principles and technical procedures whereby the legally responsible agency, the state government, develops a school finance program so that every school district in the state commands funds adequate to pay for the educational opportunity desired for every child.

In actual practice the two functions, the raising of funds and the distribution of them are closely related. The funds available largely determine the educational opportunity which can be provided. The vision of the people as to what education should be provided will influence the amount of money raised. Both of these are subject to adjustment to achieve a balance which adds up to a state program of school finance. However, for the purpose of study and analysis, they can be dealt with separately. This chapter concerns mainly the principles and technical procedures whereby a state may organize its system of school finance so that all its school districts provide an acceptable educational opportunity for all children.

Guides to State School Finance Programs

Beginning in 1946 the Committee on Educational Finance (then known as the Committee on Tax Education and School Finance) began its concern with basic goals in school finance. In 1958 this interest was consolidated in a publication entitled Guides to the Improvement of State School Finance Programs *(1:7-30). The following excerpts are from that publication.*

Improvement of State School Finance Programs

PART I—BASIC CONCEPTS

Democracy requires a program of public education with the scope and depth necessary to provide rich, stimulating educational experiences for children, youth, and adults everywhere throughout the nation. Public education, therefore, is a concern of *all the people*. Within no state should anyone be denied the educational opportunities necessary for his fullest development and the continued good of a democratic society.

In our society the purpose of school finance is to maintain and enhance the quality of educational opportunities. It is the means of marshalling the quantity and quality of personnel, equipment, and materials required for good educational results.

An ultimate test of financial policies is the wholesomeness of educational conditions in each administrative unit. If the policies are sound, conditions will be good in the great cities, in the small cities, in the villages, and in the rural areas; they will be good in rich communities, in average communities, and in poor communities.

Through the perspective of *school quality* it is possible to view finance in relation to the dynamic factors that lead to continuous improvement of education. The perspective of school quality makes it easier to discern policies and practices that promote initiative, progress, and improvements and also the policies and practices that cause retrogression, inertia, and stagnation.

BASES OF ADEQUATE FINANCIAL SUPPORT

Money by itself will not produce excellence in schools or in school programs. Yet, without sufficient money the chances of obtaining, maintaining, or enhancing quality are slight. Before money can perform its function properly, there must be public insight into what constitutes good schools, strong public demand for good schools, and public understanding of the cost of good schools.

Interaction of Bases

The first of the essential conditions—a relatively high level of public expectation—is primarily the product of able lay leadership; however, good professional leadership can help to stimulate it.

Financial support and the other factors favorable to producing quality in education interact with each other. For example, able professional leadership tends to appear with greater frequency in well-financed schools. Well-financed schools tend to be associated with dedicated lay leadership. Able professional leadership—generally sought in places with good lay leadership—tends to foster stronger lay leadership.

Local control of schools is one important principle in American democracy. But historically, under the American pattern, all levels of government—local, state, and federal—have contributed in various degrees to the financial support of public schools. The fact that the budgetary process (the vital link between money and school quality) must take place where the schools are operated requires strong local control over the way money is to be budgeted. However, the nature of the American economy and the allocation of major taxing powers to the state and national governments make it imperative that a substantial proportion of the money to finance most local school districts come from outside the district. The fact that a substantial proportion of local school support must come from state and federal sources does not mean that these levels of government should control local school expenditures. Citizens must exercise leadership on all three levels of government if we are to have the kinds of schools which American life requires.

Quality Through Leadership

Leadership—lay and professional, organized for effective action at the national, state, and local levels—is one of the dynamic elements affecting the quality of public education. Although professional leadership is important and essential, it will not emerge sufficiently to be most effective without active and intelligent lay leadership. The latter is essential in developing the community's sense of values, the outcomes the people look for in education, and the willingness of the people to support good schools.

Those concerned with financial support as a means of enhancing the quality of education can easily become concerned too exclusively with poverty as an obstacle to school improvement. From the perspective of quality, however, these persons must be equally concerned with leadership, for leadership may be necessary to rehabilitate or strengthen the economy of the locality or the state. Leadership may also be necessary to increase the effectiveness of money in improving school quality.

The effectiveness of financial programs and the emergence of essential leadership may be impeded by legal provisions and governmental structure. Many local units of government may be too small and too provincial in outlook for strong, able, and informed leadership to emerge. Leadership may be blocked by state bureaucracy, legal requirements, legal restraints, and inability under existing laws to tap economic resources for the support of good schools.

Viewing Finance from the Quality Perspective

A plan of financial support must include a co-ordinated attack upon all the forces impeding the attainment of high-quality education. If we look at finance from the narrow perspective of specific instances of substandard conditions and if we are too concerned with attempting to equalize existing programs through finance, we could overlook the causes of these conditions. Moreover, the narrow perspective can easily result in the adoption of policies or practices that impede improvement and further weaken the ability of the institution to adapt or improve.

If financial support is viewed from the perspective of improving the quality of public education, its objective will be to widen the opportunities for constantly improving education rather than to limit itself to leveling up the lagging communities to some prescribed minimum standard. The latter may be self-defeating in that the attempt to finance a prescribed program may result in qualitative deterioration of the entire program. The attainment of quality requires greater attention to leadership and to operational settings conducive to improvement.

Indeed, it is the improvement of education in individual states and communities that provides the incentives for equalization of opportunities. If some schools were not so superior to others, there would be less concern over those which seem so inferior by contrast. If this concern over equalization results in slowing down the improvement in able and willing communities, equalization loses much of its significance. Without these leading communities, a general stagnation is substituted for a rising standard of education commensurate with the rise in living standards in a free economy.

LOCAL OPERATION OF SCHOOLS

Whether the state or its local subdivisions are to be held responsible for operating and financing the schools is a decision to be made by the state. Once the decision to have a locally operated public school system is made, it is the responsibility of the state to provide the conditions essential for successful operation at the local level. The creation and maintenance of these conditions require the state's constant attention. Attention must be given to the following:

- The structure of local school government
- The allocation of functions to local school government, to intermediate school units, and to the state
- The relationships of local school government to other local governmental units and to the state in the performance of many functions
- Conditions which tend to impede local control of budgeting and operation
- The need for leadership, technical assistance, research, and legislation designed to strengthen local operation.
- The allocation of proper taxing powers to local school governments
- The burden upon the local school tax sources imposed by other local governments, by state, and by the federal governments
- The relative ability of local school units to support their operations through the taxing powers available to them
- Constitutional changes and legislation required to provide adequate tax leeway to support local budgets, a sound distribution of governmental burdens among the various tax bases, and necessary revenue resources for impoverished local school units.
- Up-to-date data on the quality of education (the success of local operations), including information on the factors associated with various levels of quality supported by proposals for removing or overcoming inadequacies or deficiencies.

This concept of state responsibility for a locally operated school system minimizes state action which might impede or restrict local freedom. The concept requires able leadership, competent technical assistance, and bold action on the part of the state in identifying conditions that impede or enhance the quality of local operation, in removing or overcoming the impeding factors, and in releasing or advancing the potentials for improvement.

PART II—GUIDES TO POLICY AND PRACTICE

. . . Since all states have retained the structure of local operation for schools, it is presumed that most, if not all, prefer decentralization. The guides are designed to assist them in shaping policies and practices which will make the decentralized structure work effectively.

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School District Organization

Local control is best accomplished by developing strong, vigorous local school administrative units to replace existing inefficient units. Strong local units with capable administrative leadership and competent teachers tend to reduce the possibility that state legislatures will prescribe educational features and administrative procedures designed to improve submarginal education programs in poorly organized school districts.

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Direct Budgetary Responsibility

The advantage of close popular control over local educational programs and their financial support should not be diminished by the introduction of inhibiting controls over boards of education by municipal, county, or other noneducational external authorities. The organizational control and tax levying structure for education should be separate from that of other units of local government. This also means that the final control over the character, substance, and amount of the school budget should be vested in the local independent unit of school government.

The control of educational policies should never be exercised through school fund audits. The audit functions of central agencies should be reviewed continuously to make sure that they do not become barriers to effective local control, initiative, and progress.

Adequate Support

Effective local participation requires that all local units contribute to the support of school budgets in proportion to their respective abilities and that all have tax leeway to forge ahead in improving their programs.

More local participation calls for local taxing power and a local tax base which is not unduly restricted or overburdened. For this reason, constitutional and statutory limits on local property taxes for current expenses should be removed as quickly as possible. Such controls should always be considered as possible handicaps.

Provision should be made to assure that state and local funds are adequate. It is unrealistic and unfair to the less wealthy districts to provide for only a part of an objectively determined cost of a program. Where conditions warrant the temporary use of state funds to stimulate local action through special aids, the allowances must be adequate to meet the needs.

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State Support to Encourage Local Initiative

State aid should be distributed strictly on objective bases that can be computed as readily by the local agent as by the state agent. Any minimum requirements which must be met should be stated explicitly in the laws. The principle of local responsibility requires the avoidance of granting to state officials discretionary powers over the distribution of state aid.

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The role of the state's control functions, in contrast with its leadership and service functions, should be to create conditions which will enhance the quality of educational opportunities of children everywhere in the state. The establishment of specific minimum standards below which no school may go should be regarded as a control imposed only until the basic operating difficulties are corrected. Minimum standards should in no way limit or restrict the freedom of the local school district to move beyond the state's minimum standards in education. A corollary of this principle is the dynamic value of the leadership and service functions at the state level and the importance of adequately financing these functions.

STATE PARTICIPATION

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An adequate and rising level of educational opportunity for all children within a state is hardly feasible without state participation in financing the educational program. Local school districts vary widely in ability to support education. The taxing power of the state must be utilized to raise the level of financial support in the weaker units up to a guaranteed reasonable minimum—equalization. . . .

In addition to equalization, a number of purposes have developed in the states over the past two or three decades. Among these purposes are: (a) relieving the local property tax of excessive burdens, (b) counteracting the effects of rigid property tax limits and exemptions which have made increases in local support virtually impossible, and (c) the furtherance of state purposes by stimulating specific educational developments such as libraries, kindergartens, classes for exceptional children, pupil transportation, and adult education.

The plan for state financing should consider all the essential elements of school costs. . . .

Defining the Foundation Program

In states moving toward central control, the foundation program is the *state defined* educational program or budget which the state will help finance.

In states moving toward stronger local control, the foundation program is the *level of support* which the state will guarantee for the *locally defined*, adopted, and administered educational program and budget.

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Measurement of need—The measurement of need in a given program is associated basically with the number of children in attendance in public schools. The number of children for which funds are provided may be expressed as the number belonging, net enrollment, average membership, or average daily attendance.

Since education is carried on in instructional groups, measures of educational need have often been expressed as classroom units and as the equivalent in terms of a specified weighted number of pupils in attendance. The weighted pupil unit or an aggregation of such pupil units (known as classroom units) has come to be the most acceptable measure of the educational need in a foundation program.

Minimum educational standards—One step in defining the foundation program is to review existing minimum standards for school services and facilities. With adequate support many of these might be eliminated. Financial support can then be provided for the remaining such mandates so that their costs will not create extreme inequalities in local tax burdens or a lack of balance in the portions of the educational program not mandated. Above all, minimum standards should not become the budgetary goals in districts capable of "budgeting" above the minimum standards.

When used excessively, it is possible for special aids to have a restrictive effect upon local budgets and adaptability. Since such special aids substitute central direction for local initiative, they sometimes distort local budgets and thereby impede adaptability and school quality.

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Determination of the foundation program to include elements generally accepted by the people through local action has an added advantage over the mandate approach. It releases local taxing power to do things that the people locally have wanted to do, but which have been impossible because of insufficient funds. As new enterprises and elements receive wide acceptance, they can be incorporated into the developing definition of the foundation. The existing definition and the ultimate definition must always be in terms of decisions of vital local self-government.

State-wide participation—If state-wide decisions and actions are ever to be agreed upon, it is most important that there be state-wide public participation, study, and discussion before the foundation program is altered. . . .

Determining the expenditure level— . . . This level of cost has often been determined in terms of the cost per unit in school systems of average wealth within a state. However, because of new and better understanding of the relationship of cost to educational return and because of recognition of the inadequacy of the average cost level in most states, the trend now is to focus attention on broader relationships between costs and quality of the education. . . .

. . . It is important . . . that the cost per unit of need in the foundation program be looked upon as a dynamic thing moving toward an adequate program. This cost will change as economic conditions change and as conceptions of education change. The expenditure level should be viewed as transitory and subject to increase as new concepts and desires of the people in a state develop.

Measurement of Local Ability

. . . Generally, the only tax that local administrative units have been authorized to levy and collect has been the property or real estate tax.

States are currently using four methods to estimate local tax-paying ability.

1. Many states accept the results of local assessments made under little or no supervision. This results in conflicting pressures upon local assessors with respect to their assessments. Such pressures, if continued without state supervision, cannot work fairly over any length of time. The use of a uniform tax rate when assessment ratios vary is so obviously inequitable that it is no longer defensible.

2. Some states set standards and give some supervision to local assessors. This plan usually has more chance of success than the first one, but it has not been altogether successful because of the limited supervision provided.

3. Other states require their state tax commissions to arrive at a ratio of assessed to true value of property in each taxpaying jurisdiction in the state. The department of education or other state agency is then required to use these ratios to compute equalized valuations in determining aid for all local school districts. The local district then finds it necessary to levy whatever rate on the assessed valuation that will produce taxes equal to the proceeds calculated on the equalized valuation. When the tax commission is well staffed and competent, this plan is highly promising.

4. Still other states use indexes of economic ability based upon retail sales, motor vehicle registrations, postal receipts, and other items. The indexes used in some states have been developed through the use of research techniques and are much more effective than those that have not been properly developed. . . .

The contribution made by the local unit to the foundation program must be measured in terms of the potential yield of a uniform rate on the tax base or tax bases authorized for local school support. Local units should be permitted to apply any available revenues toward meeting this requirement. . . .

The State's Contribution

The exact proportion of the cost of the foundation program to be borne by the state must be determined by the people in each state. . . .

At a given level of school support, the greater the amount of support from the state, the less the local tax effort required of local units. . . . Equalization is not the only purpose of state aid. Its purpose, also, is to encourage those school districts which are financially able to develop still better programs. This means a local contribution to the foundation program lower than would be necessary for equalization alone.

The amount necessary for the state to contribute to the support of each local school program is found by subtracting the funds provided through the required local uniform tax effort from an objectively determined total cost of the program for that district. If a state also grants special funds to local districts, such funds should not be added to the proceeds from the local uniform effort in the school system before the subtraction is made. Not adding special aids to the local share has the effect of giving the full benefits of the special aids to all districts.

PART III—CURRENT TRENDS AND DEVELOPMENTS

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Noteworthy among developments in state school finance plans within recent years are the following:

1. Increased acceptance of the foundation program as a state and local partnership: (a) expanded concepts of adequacy of foundation programs and financing implications; (b) inclusion of additional elements in the foundation program such as capital outlay, debt service, and transportation costs; and (c) increased awareness of the fact that a more dynamic concept of foundation program levels is necessary for meeting and requiring reasonable levels of local and state-wide effort.

2. Increased interest in broadening the taxing power at the local levels. . . . However, some authorities maintain that the governmental units smaller than a state generally cannot administer nonproperty taxes effectively or efficiently. . . .

3. Increased development and use of more equitable measures of local ability to support the foundation program. . . .

STUDYING STATE PROGRAMS

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. . . Many states still have in operation finance procedures that have resulted from the pressures of minority groups and from hastily adopted programs. Studies of state-aid programs should certainly probe deep enough to examine the basic structure of the program.

The following questions have been used in a number of states as guides in analyzing and evaluating provisions for school support:

1. *Is provision made for adequate financial support?* While the state average gives some indication of the adequacy of support, the program must be judged in part by the amount of support assured for the least wealthy districts in the state. If this is not sufficient to permit such districts, when they are properly organized, to maintain a satisfactory program, it should be considered inadequate.

2. *Are there any undesirable state controls?* Most state requirements undoubtedly were not designed to restrict local initiative or responsibility. However, a study of existing requirements may show that some of them unnecessarily restrict local school districts.

These restrictions may apply to total tax rates, to the authority to vote bonds, or to the ability of districts to use funds in such a manner as to have the kind of program they desire.

3. *Is the plan equitable?* One procedure for testing is (a) to determine for each district the amount of revenue available from state funds, except for capital outlay and transportation, and from the local levy required for participation in the foundation program; (b) to determine the number of classroom units in the district (using a formula similar to the one used in national studies); and then (c) to ascertain the amount available per classroom unit by dividing the revenue by the number of classroom units. If the revenue available per classroom unit from this guaranteed program is more than 1.5 times as great in certain districts as in others, it is possible that the program may have inequities and should be revised.

4. *Are there any rewards for inefficiency or lack of economy?* Many state plans include rewards for inefficiency. In some cases state grants to wealthy districts are sufficient that the taxpayers in those districts can provide reasonably good schools with a low tax rate. In other cases the state finance provisions may tend to encourage or perpetuate inefficiently organized districts and schools or encourage other practices that are undesirable.

5. *Has provision been made for all essential elements of school costs?* Some states have provided funds for only certain school costs. Others have provided more generously for certain aspects of the program (such as high schools or vocational education) than for others. A thorough examination should show whether the plan helps to assure—or to retard—a comprehensive and balanced school program.

6. *Are the sources of revenue for school support reasonably related to the sources of income of the people of the state?* This question involves the issue as to whether too large a proportion of the funds may be derived from property taxes or other tax sources in the various districts or on a state-wide basis.

7. *Are the measures of need sound and realistic?* Studies show that the weighted pupil or the adjusted classroom unit, if properly developed, constitutes a valid measure of need for all aspects of the program except perhaps transportation. Rough measures of need that at best represent only approximations or that include subjective provisions are no longer considered desirable. The measure of need for transportation costs, shown by many studies to be satisfactory, involves the number of pupils transported and the area served, with corrections where necessary for topography or road conditions.

8. *Is local financial ability properly and equitably determined?* If local revenue for schools is derived entirely from property taxes, the best means of determining ability is uniform and fair assessments. When assessment practices vary, as they do in most states, an equitable system of determining assessment ratios or an index of taxpaying ability needs to be used. Any plan, of course, should be studied periodically to determine whether it is operating fairly and equitably.

9. *How does the program compare with programs operating in other states?* Although it is unwise for a state to copy the state-aid program of another state, much can be gained by observing the strengths and weaknesses of programs operating in a number of states. For this reason it is well for states contemplating changes in their support program to observe how similar

problems have been approached in other states.

GUIDES TO PROGRESS

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Some specific trends and guides to progress may be stated as follows:

1. There is a trend toward making comprehensive periodic studies or evaluations of the state-local partnership in education. The continuously developing foundation program not only must select the best from the progress of the past but also must contribute to the stimulation of invention. In this sense, every state's movement to study and develop state-local support of schools is an opportunity for improvement. It is extremely important that program changes be based upon sound principles. This is necessary if there is to be a narrowing of the gap between important findings and their application in school finance practice. Notable in this area are studies of the educational returns from different levels of school support and the important implications of assuring adequate financial support to the pioneering school.

2. Fluidity and continuous growth in the levels of foundation programs should be safeguarded. So long as educational needs grow and the educational concepts of the people broaden, there will be room for strengthening foundation programs. No lid should be placed on them. The open-end program is a sign of educational vigor in a state.

3. In the development of state-school finance through the foundation program design it is important to caution both laymen and educators lest they grow lax in devotion to the principles of justice, adequacy, and equalization of educational opportunity. From the beginning of the modern era these principles have characterized progress, and they have become a symbol of a free and vigorous people.

4. In the movement for more adequate school aid, there has been a tendency to substitute central authority for local direction. An increasing number of states have tended to develop what amounts to a package of special aids into a foundation program. The effect of such packages is the same as if these were separate special aids. Generally speaking, states should guard against or reverse this trend. The extension of state aid should nourish and strengthen the initiative of people in local school systems.

5. Experience in the development of state-aid policy has revealed the necessity of raising the level of public understanding of educational need. The problem of more state aid is in fact a problem of achieving a wider and more intimate participation of both lay and professional people. To this end, movements like the newer councils or conferences of the metropolitan, state, or regional type for co-operative lay and professional study of common problems deserve study and emulation. Examples are the regional study councils of the New York metropolitan area, New England, central Pennsylvania, Detroit, Philadelphia, Syracuse, the Massachusetts Council for the Public Schools, the Southern States Work Conference, and the recent state education conferences culminating in the White House Conference on Education.

6. Recently a number of states have established state-wide communities or commissions which have undertaken a study of the educational program including the finance provisions. These committees have used out-of-state consultants to help them study and analyze the program so that they might be in position to reach their own con-

clusions regarding steps which should be taken to improve their programs. Among the states that have used this procedure quite successfully are Kentucky, Ohio, and Wyoming.

7. In recent years there has been a movement toward stronger local units, increased taxing and borrowing powers, and relaxation of restrictions on local taxes and borrowing. This trend should be encouraged.

Ten Basic Questions

In the 1960 National School Finance Conference a panel discussion took account of the fact that several writers and groups had formulated statements to serve as guiding principles in school finance. These efforts, although helpful, had been criticized as being either too general or too specific. Accordingly, 10 carefully chosen questions concerning school finance were formulated and discussed by a panel of four school finance authorities from different regions of the United States, namely: Paul R. Mort, Edgar L. Morphet, William P. McLure, and Clayton D. Hutchins. Erick L. Lindman served as moderator.

The 10 questions (2:103-17) dealt with are listed below. The responses of each of the four panelists were not given, but can be found in reference cited.

Question 1. The use of earmarked taxes or state constitutional guarantees for state school funds has usually been condemned as unsound public finance policy. Do you concur with this view? Why?

Question 2. The use of special aids from state sources to finance, in part or in full, special aspects of the school program has been practiced extensively and condemned frequently. Is this practice ever desirable? If so, under what conditions?

Question 3. In some instances, the amount of state support granted to local school systems is reduced or increased within limits, in proportion to the local tax effort. This policy has been criticized. Is it ever desirable? If so, under what conditions?

Question 4. It is possible to provide all, or nearly all, of the cost of the foundation program from state tax sources. Is this type of state aid program ever desirable? If so, under what conditions?

Question 5. The high per-pupil cost in rural areas resulting from sparsity of population or pupil transportation is often recognized in the need formula of the state foundation program. The high per-pupil cost in urban areas resulting from congestion, high wage scales, high cost of land, etc., is usually not recognized in the state school need formula. Is this practice equitable? Why?

Question 6. Inequality of assessment standards among assessment districts is often ignored in determining the local share to be contributed to the foundation program. Where this inequality is recognized, adjustments are based upon an economic index of taxpaying ability or upon ratios of assessed to true property valuations established for each assessment district by the state taxing authority. Which of the above procedures is preferable? Why?

Question 7. In view of the frequent controversy concerning the fairness of the method used in determining the local contribution to the foundation program and the fact that this contribution is virtually a state tax, would it not be better to abandon the local contribution to the foundation program and collect an equivalent amount as a statewide property tax for school purposes? Why?

Question 8. The "budget method" of ascertaining the cost of the foundation program is used extensively in some states, while the simpler cost per pupil or cost per classroom unit is used frequently in others. It is sometimes said that the budget method, which spells out in considerable detail the items for which the funds in the foundation program are intended, leads to rigidity in program development and undesirable state controls. Is this true?

Question 9. State aid for school construction purposes is sometimes provided on an approved project basis and sometimes on an annual apportionment basis. Assuming the relative amounts of state and local funds are determined in essentially the same way in both cases, do you see any inherent advantages of one plan of disbursement over the other?

Question 10. Recent events have led to increased emphasis in some school systems upon better college preparatory programs for the academically talented student, more extensive use of summer schools, the use of teaching aids or classroom secretarial help, the use of televised instruction, etc. What implications do you see for school finance of these trends in public education?

State Support To Supplement Local Effort

A 1960 study, What Everyone Should Know About Financing Our Schools *(3:41-47, 52) summarized and graphically illustrated the essentials of an adequate state school finance program. Excerpts from this study follow.*

STATE RESPONSIBILITY

First, it is a matter of primary concern to the people of the state as a whole that each child and youth shall have a good education. Generations of statesmen have recognized this as more than an individual right; it is a matter of common interest. The returns from investment in education are indispensable to the stability and progress of our society. Ignorance is a greater individual and social liability with each passing year. Mobility of population quickly spreads the effects of good schools as well as of poor schools. Since good education is of concern and benefit to all people of the state, it is logical that the people of the state as a whole should pay a fair share of the cost of the schools.

Second, without state support for schools, educational opportunity for all will be extremely unequal or may even be denied to some, since communities differ so widely in ability to finance education. Even if the reforms necessary to put the local property tax on a sound basis were achieved, both as to structure and administration, this tax alone would be an insufficient base for school support.

Third, the state can achieve a fairer distribution of the costs of education among various tax sources—property and others.

OPPORTUNITY FOR ALL

The state must accept responsibility for setting a foundation, or floor of financial support, for the schooling of all children and youth. Here is where the people of a state make a fundamental decision as to the quality of education they want. The point at which they place this figure is a reflection of their devotion to the ideal of opportunity for all, and of their vision as to the importance of good education.

LOCAL TAX EFFORT

The state should require each locality to make a reasonable tax effort toward the minimum foundation of financial support which is to be available in each school district.

TAX LEEWAY FOR LOCAL INITIATIVE

The state in fixing the local share of school support should leave the locality with sufficient taxing power to finance better schools. Otherwise, localities are powerless to improve school quality through the more liberal use of their own funds.

STATE SUPPORT TO SUPPLEMENT LOCAL EFFORT

The difference between the amount which the locality is required to provide and that necessary to meet the state foundation should be supplied by the state from its tax sources.

PUTTING THE PATTERN INTO EFFECT

The manner in which the foregoing basic elements in a pattern of state support may be put into effect is shown by the accompanying illustration for a hypothetical state (Figure 25).

Let us assume that the state wishes to see that there is at least $400 per pupil to finance the public schools in all localities. It then proceeds as follows:

Since the assessed value of property per pupil varies in different localities in the state, from $2000 (District Z) to $20,000 (District A), a tax of $25 per $1000 of assessed valuation would raise $50 per pupil in the poorest school district and $500 per pupil in the richest.

However, assessment procedures in this state vary widely in different school districts. In some localities property is assessed at a small fraction of full value and in others at full value. This must be corrected by translating assessed value into full value of property in each locality. This is done through an equalization law as illustrated below.

It is determined at what average percentage of full valuation each locality assesses its property. District Z with $2000 of valuation per pupil assesses property at 20 percent of full valuation. Accordingly, the state multiplies the assessment by five to get full valuation ($10,000 per pupil instead of $2000). District A with $20,000 of valuation per pupil assesses its property at 40 percent of full valuation. The state multiples this assessment by two and a half ($50,000 per pupil instead of $20,000). By this means, assessment of property in all districts is placed on an equalized basis.

Next, the state determines what a reasonable and uniform local tax rate on full valuation is to be in the local districts to share in the state school finance program. Suppose that it decides that this rate is $6.80 per $1000 of full value of property. (This is the same as 68 cents per $100 of full value, or 6.8 mills.) This rate raises $68 per pupil on full valuation in the poor district (Z) and $340 per pupil in the wealthy district (A).

To the poor district (Z) the state allocates the difference between $68, which this district can raise on the uniform local tax rate, and the $400 foundation amount, or $332. In the rich district (A), the uniform tax rate raises $340 and the state supplies $60 per pupil. This procedure is used in all districts in the state.

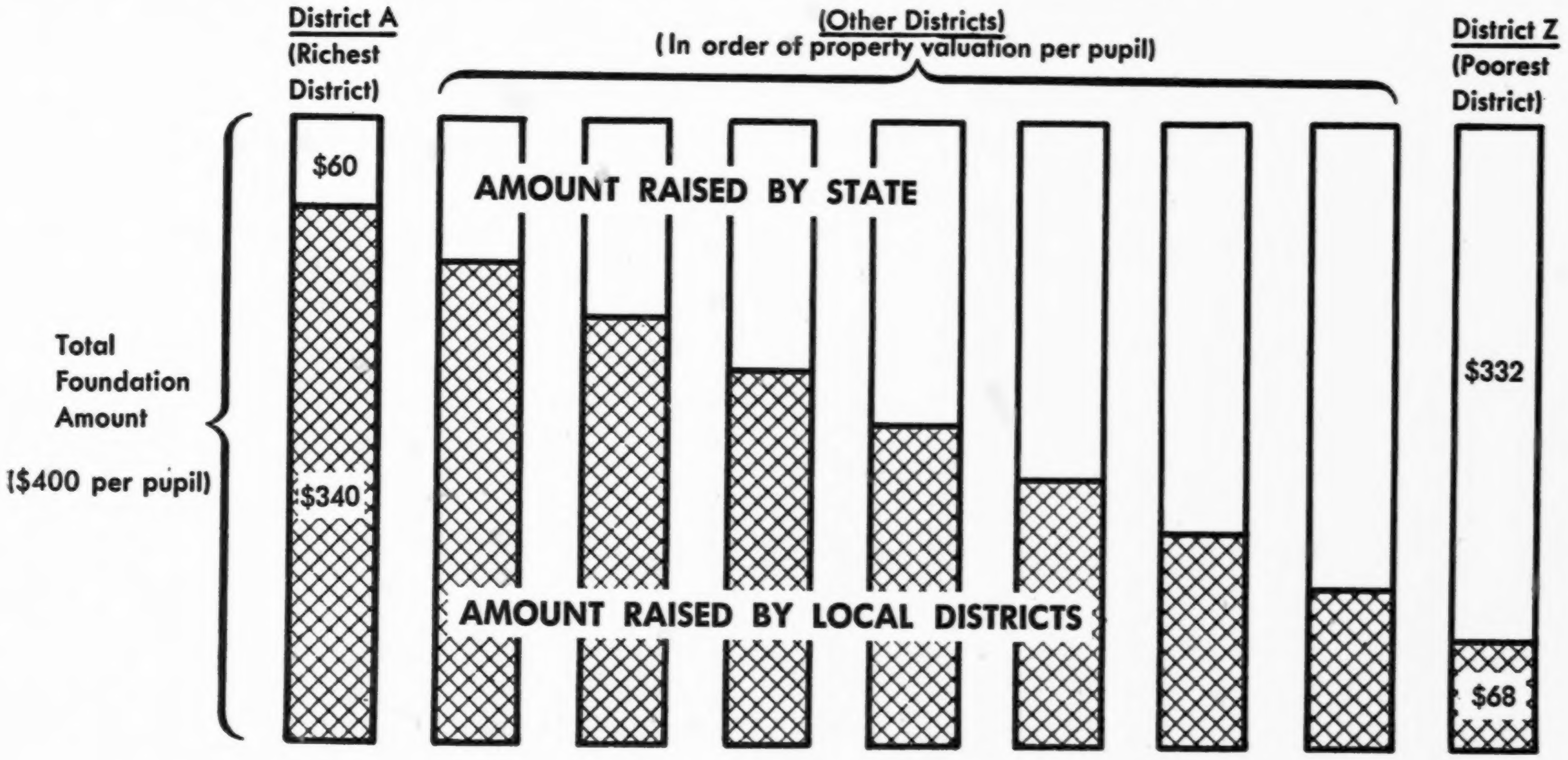
The foregoing procedure in financing a state foundation amount is known as the equalization method of financing schools. . . .

FLAT GRANT STATE SUPPORT

Ranking in importance with the equalization procedure is the flat grant method of allocating state funds to local school districts. Under this method the amount of state support received by a locality is determined solely by some measure of educational load or need, such as number of pupils in attendance

Fig. 25

STATE AND LOCAL CO-OPERATION IN FINANCING A FOUNDATION PROGRAM OF SUPPORT IN ALL SCHOOL DISTRICTS OF A STATE (Hypothetical Case)



or number of teachers to be employed. By this method all localities, rich or poor, receive the same amount of state money per unit of educational need.

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COMBINATION OF EQUALIZATION AND FLAT GRANT METHODS

In most states some state funds are distributed by the equalization method and some by the flat grant method. This is usually desirable. In states where there is little state support, the emphasis at first should be on equalization, since this will permit a higher state minimum or amount of support in all school districts for any given amount of state funds. Later the amount of state funds apportioned through flat grants may be increased.

BASIC STATE ACTION IN FINANCING SCHOOLS

The following objectives should be achieved in connection with the distribution of state school funds to the localities:

1. Educational opportunity should be provided for all children and youth by establishing an adequate minimum or foundation of financial support per pupil in all school districts.
2. Local interest and initiative in education should be preserved by requiring all local districts to make an equitable contribution toward the financing of schools in terms of local financial ability.
3. The required local contribution should be such as to leave tax leeway in the community available for local innovation and experimentation in the schools.
4. The cost of the schools should be equitably distributed over all forms of taxable capacity.
5. The total amount available for the schools should be sufficient to permit the financing of a quality program of education.

GENERAL AND SPECIAL STATE GRANTS

State funds may be distributed to the localities with relatively little specification as to how they may be used in financing current expenses of the schools. By such general-purpose grants, whether through equalization or flat grants, a state legislature places the main responsibility on local boards in determining their budgets. In other instances, state legislatures decree that certain funds shall be used only for specific purposes. These are special-purpose grants. . . .

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LIMITATIONS OF THE STATES IN FINANCING EDUCATION

The states have an indispensable role to play in financing public schools. However, like the local communities, they suffer a number of severe limitations in discharging this function. The first of these is that the states differ markedly in ability to raise money. . . .

Interstate competition is the second reason why the states have not raised sufficient funds to eliminate educational shortages and to finance needed improvement in school programs. State is played against state and locality against locality by the fear that increased taxes will place them at a disadvantage in competing with other states in attracting residents and business concerns. This places a brake on adequate support, even in rich states. Consequently, the state government has not been, and is not likely to become, the complete answer to financing education at a level consistent with its importance to national survival and progress.

Rhode Island's New Foundation Program

CEF Report, August 1960, No. 2 (4:6) reported school finance legislation in Rhode Island which included important innovations.

Rhode Island's new foundation program, passed in April 1960, is an innovation in state-local partnership for school support. Chapters 26 and 27 of the Public Laws of 1960 increased state support on an equalized basis, guaranteed from state and local funds a minimum support of $300 per child in average daily membership for operating costs including transportation, and provided state funds for school buildings in about the same equalized proportion as for operating expenses of schools. The 12 special aids in existence were scrapped and a comprehensive plan for sharing the costs of the whole school program was substituted.

The unique feature of the new legislation is the open-ended nature of the state's share. If a community wishes to operate a program above the guaranteed amount of $300 per child in average daily membership, the state's share of the additional expense is in the same proportion as for the guaranteed amount. The state's share ranges from not less than 25 percent to more than 50 percent of the total school expense. In addition, the new legislation has the following provisions:

(a) The state distribution is based on an equalization formula which uses equalized weighted assessed valuations of property as determined by the State Board of Tax Equalization.

(b) An incentive for communities to band together to provide regional schools is provided in the form of increased state support.

(c) The minimum salary is increased to from $4000 for beginning teachers to $6000 for teachers with eleven years' experience.

(d) The state share of building costs is prorated over a 20-year period. In the case of schools built prior to 1960 but after 1950 the state will pay only on the remaining years of a twenty-year period beginning with the construction date. Additional state funds are available to communities where the existing tax effort is well above a reasonable effort.

(e) An educational improvement fund is established for the use of the state board of education to encourage local communities to introduce new programs or to experiment with new techniques.

(f) Communities are required to identify separately, on their tax bills, the tax rate for schools and to keep a record of school revenues and expenditures on forms prescribed by the Commissioner of Education.

Application of General Principles of School Finance to Individual States

At the 1961 Conference of the Committee on Educational Finance, Erick L. Lindman (5:66-71) reviewed the search for general principles and dealt with problems arising in their application in individual states. Excerpts follow.

The search for general principles to guide the development of school finance programs has occupied the attention of many capable men since the turn of the century. The pioneering efforts of Cubberley, Updegraff, Swift, and Mort, to name but a few, provided the groundwork for much of the more recent effort.

In 1946 the Research Division of the National Education Association, in response to a request from the Committee on Tax Education and School Finance, prepared a list of 77 recommended school finance goals. These goals, selected from authoritative writing in the field, were submitted to a panel of experts for review and appraisal. The 77 goals were incorporated into a checklist to be used as an instrument for appraising progress in educational finance in each state. Included among the 77 school finance goals were the following items:

Item 10. The state funds distributed to assist in providing public education are integrated or unified, rather than being distributed in the form of numerous allowances for special purposes.

Item 15. General property valuations for taxation are established with a high degree of uniformity throughout the state.

Item 17. The state has defined a public school foundation program in terms of specific annual costs of education, recognized as the basic amounts that must be made available for children in the public schools of the state.

Item 22. The foundation program or plan of state aid to public education includes an allowance for necessary school transportation.

Item 25. The state department of education is authorized to include in foundation program calculations a total amount for capital outlay and debt service in the state, which is at least 10 percent of the total expenditure for salaries of the professional staff in the public schools of the state.

Item 26. All requirements for participation in state funds are objective and capable of impartial administration.

Item 29. A statewide uniform minimum local tax levy on general property is required for school purposes.

Item 40. School building bonds are callable after a period of ten years.

Item 54. A plan of state insurance is in operation, which provides adequate coverage for all public-school buildings and other school property.

Item 58. More than 50 percent of state tax revenues are derived from taxes on personal and business income.

Item 71. Local school systems make a substantial part of their capital outlay expenditures on a pay-as-you-go basis.[1]

LIMITATIONS OF THE GOALS

As might be expected, in view of the specific nature of these items, the effort to use them in appraising school finance programs in different states led to considerable controversy and to some questionable conclusions. . . .

Comparisons between states were made despite the clear statement in the *Bulletin* itself: "The collection of this series of 77 goals for the consideration of educators is not to be interpreted as an attempt to urge standardization. It is hoped, rather, that school finance committees in the state will review the recommendations here included, and select, in terms of their own needs, policies which will result in the improvement of their respective finance systems."

It is interesting to read again this list of goals, fifteen years after they were published. A few of them are clearly dated and others reflect practices limited to a few states. Nevertheless, a surprisingly large number of these 77 goals are still appropriate and all of them provide a stimulating base for discussing school finance problems. But persistence of the idea that states should be rated comparatively on their attainment of these goals, some of which were not appropriate for all states, led to a change in approach to the problem.

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[1] National Education Association, Research Division. *Research Bulletin*, Vol. 24, No. 3, October 1946.

A STEP BEYOND GOALS

The NEA Committee on Tax Education and School Finance, in 1949, reported in a 23-page publication entitled *Guides—to the Development of State School Finance Programs,* the conclusions of a conference of school finance leaders called "for the purpose of clarifying issues on some of the technical approaches to state financing of public schools."

This report emphasized the responsibility "of the several states to chart their own destinies in financing their systems of public education." But it expressed the belief "that there are basic principles and criteria which should be followed and consequently that there are definite limits within which state action may be judged defensible."

The *Guides* made it clear that "one ultimate test of both organizational and financial policies is the wholesomeness of educational conditions in each administrative unit." It declared that "if the policies are truly effective, conditions will be *good* in the great cities, in the small cities, in the villages, and in the rural areas; they will be *good* in rich communities, average communities, and poor communities."

The *Guides* recommended the state-local partnership approach to a foundation program which included all essential elements of school costs. It emphasized "the state responsibility for creating a pattern of local school district organization which can assume and discharge its proper responsibilities."

It rejected a foundation program financed entirely from state tax sources, urging that "all local units contribute local revenues toward the support of the foundation program in proportion to their respective abilities, and that all have tax leeway to provide desired features which are in addition to the foundation program."

"GUIDES" REVISED

This bulletin was NEA's guide for improving school finance policy until, in 1958, the Committee on Tax Education and School Finance issued a revised publication entitled *Guides—to the Improvement of State School Finance Programs.* The 1958 revision is very similar to the 1949 publication, but it avoids some of the specifics of the earlier study and places more emphasis upon the adjustment of principles to specific conditions in different states. It lists a series of questions for use in analyzing and evaluating provisions for school support:

1. Is provision made for adequate financial support?
2. Are there any undesirable state controls?
3. Is the plan equitable?
4. Are there rewards for inefficiency or lack of economy?
5. Has provision been made for all essential elements of school costs?
6. Are the sources of revenue for school support reasonably related to the sources of income of the people of the state?
7. Are the measures of need sound and realistic?
8. Is local financial ability properly and equitably determined?
9. How does the program compare with programs operating in other states?

The publication concludes with a section entitled "Guides to Progress," which:

1. Points out a trend toward making comprehensive periodic studies or evaluations of state-local partnership in education

2. Emphasizes a need for fluidity and continuous growth in the levels of the foundation program

3. Warns against a tendency to substitute central authority for local direction, by including "a package of special aids in a foundation program"

4. Points out a need to raise "the level of public understanding of education"

5. Commends a trend toward stronger local units with increased taxing and borrowing powers.

Although these guides have contributed much toward the improvement of school finance programs in many states, their usefulness to those responsible for making changes from time to time in state school finance programs is limited. A general principle, if it is truly a general principle, can give only broad guidance. . . . This, of course, is as it should be, for general principles can only guide broadly; they cannot indicate specific changes which should be made in the school finance program in each state at each legislative session.

SPECIFIC APPLICATION OF GENERAL PRINCIPLES

. . . . .

. . . Another effort, it seems to me, should be directed toward adding a new section to the 1958 publication, *Guides—to the Improvement of School Finance Programs*. This section might be entitled "Fitting the School Finance Program to Each State." It should be devoted to an analysis of conditions in each state which have a bearing upon the school finance program of that state.

What are some of these conditions? They are numerous and varied and, to my knowledge, no systematic effort has been made to analyze them.

UNEVEN DEVELOPMENT AMONG STATES

First, the general development of the public school system is not the same in all states, and, quite properly, one state places a high priority on one educational goal this year while another state emphasizes another. In fitting general school finance principles to a state program of education, questions relating to immediate and long-term educational goals need to be considered: (a) How much emphasis should be placed upon extending the program to include more kindergartens, community colleges, and specialized summer schools as contrasted with an effort to strengthen a more limited program? (b) Is increased equalization of teacher salaries and instruction standards among school districts needed at this time or should an effort be made to increase the local tax leeway to permit greater community initiative in developing programs of excellence? (c) Does the present condition of education in the state indicate that the financial program should be directed toward smaller classes, higher teachers' salaries, better instruction materials, or improved supervision and inservice education of teachers? (d) Are new financial arrangements needed to facilitate development of educational television, to provide secretarial help for teachers, or to implement other innovations which are not provided for in the present school finance program?

These and many other questions related to the scope and emphasis of the public school program must be answered in each state before general principles can be used to develop specific recommendations for the improvement of the school finance program.

CONSTITUTIONAL CONSIDERATIONS

In addition to answering questions related to the instructional program, constitutional provisions which affect the state's school finance program must be carefully analyzed. Often constitutional provisions cause a state to adopt an approach to school finance which is different from approaches used in other states. For example, the state of Georgia established a state school building authority to assist in financing school construction, partly because of a constitutional provision limiting state indebtedness to $1 million. Other states, without such constitutional limitation upon state indebtedness, can issue state bonds for school construction purposes and pledge the credit of the state for their repayment.

Many states have constitutional provisions limiting school tax rates and prescribing various voting procedures for approving local school tax levies in excess of the prescribed limitation. The procedure which school districts must follow to authorize an increase in the local school tax rate, in one state are often quite different from the procedure used in another state. These differences affect fundamentally the character of local tax leeway for school purposes and largely determine the extent to which local initiative can be relied upon to meet unusual local problems and develop innovations in educational practices.

The nature of the constitution itself may play an important role in determining feasible approaches to school finance problems. . . .

ECONOMIC CONDITIONS

Economic conditions often affect the tax structure which a state adopts. In some states the tax program is designed to extract generous contributions from tourists; in others a severance tax on oil provides a large part of state tax revenue. In some Western states the statewide property tax has been retained despite arguments to release this tax to localities, partly because this is the only state tax which can be levied effectively against transcontinental railroads. States in which the population is increasing rapidly usually find it necessary to issue bonds for most capital improvements more nearly on a pay-as-you-go basis.

The distribution of the property tax burden is another economic condition which must be considered in developing specific school finance proposals. If the total property tax burden is excessive in large cities, or in suburban communities, or in rural areas, this condition affects the availability of the local property tax to meet educational costs not provided for in the state support program.

These and other conditions affecting taxation must be considered in applying general school finance principles to a state.

ORGANIZATIONAL STRUCTURE

A third factor which must be considered is the organizational structure of the public school system. Approaches to school finance suitable for a county-unit state are often quite inappropriate for states with small school districts. Too often the school finance program has been an incentive for retaining an unsatisfactory school district structure. The role of county government is not the same in all states. In some states the county serves as an active intermediate school service unit; in others, it serves as a school taxing unit; and, in still others, the county is virtually nonexistent as a governmental agency. General school finance principles must be adjusted to fit these different conditions.

Some types of educational services probably cannot be effectively financed within the present structure of education. It is doubtful if educational television, for example, can be effectively organized and financed without utilizing a much larger unit, such as the state itself, as an instructional service agency. To accomplish this would require a new concept of the relationship between the role of the state and that of the local school district in instructional planning.

CUSTOMS AND TERMINOLOGY

A fourth factor, while not as important as the first three, perhaps should be considered. It is surprising how firmly the people and school leaders of a state are dedicated to established finance customs and language. In some states the amounts of school funds must be related to average daily attendance; in others, to the aggregate attendance; and in still others, to classroom units. It is, of course, possible to describe precisely the same apportionment formula using any of these three basic units of need, but to choose the wrong one in a state may have a disastrous effect upon the acceptability of a proposal.

Often the language used to describe a school support program contributes much to popular understanding or, perhaps, to misunderstanding. Recent interest in incentive programs is an excellent illustration. The idea of combining the principle of equalization with the principle of incentive payments is not new but it has been called by various names. Sometimes such a program has been called "equalized matching" emphasizing a combination of equalization and matching in a single program. At other times it has been called a "flexible foundation program" giving quite a different emphasis. Our use of the three terms *foundation program, minimum program,* and *equalization* often confuses us; it must be baffling to a legislator! In formulating specific recommendations for school finance improvement, the terminology commonly used in stating general principles may have to be changed to minimize confusion and facilitate popular understanding.

NEED TO STUDY PECULIAR CONDITIONS

To summarize, much excellent work has been done in developing general school finance principles which are guides to action. But, quite properly, they guide broadly, leaving many specific questions unanswered. To find answers to these troublesome questions requires a careful analysis of a complex array of conditions in each state which affect its school finance program.

Despite the unique character of each state's school finance setting, there are elements which, though not common to all, have been encountered in some other states. By searching for these elements we can learn from each other.

State School Finance Tendencies

The following excerpts are from a statement by Arvid J. Burke (6:82-85) concerning emerging tendencies in state school support.

For more than four decades there have been strong tendencies toward conformity in state school support programs in the United States. The strongest of these tendencies has been the movement toward equalization of educational opportunity—the foundation program concept. Under this label two other potent tendencies have been hidden. One of these has been the intensified efforts of states or pressure groups within states to use finance as a means for shaping local school programs according to preconceived models. What were once clearly labelled special aids to stimulate state objectives frequently have been encompassed into the definition of the foundation program. In many other states the number and variety of separate special aids have grown. The other hidden tendency is the high proportion of so-called equalization aid which is in reality general aid apportioned regardless of local fiscal capacity or apportioned according to wealth —the use of state taxes to stimulate local initiative or to provide local tax relief.

The large influx of additional revenues into state treasuries under existing rates of state taxes made it easy for a decade after the end of World War II for states to move in these directions. . . .

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As states have re-examined the emphasis upon equalization, a number of disturbing facts have become obvious: (1) The adequacy of the foundation level seldom can be defended in terms of either the quantity or quality of education which modern problems require. (2) The causes are not always lack of money-availability. Low local public standards and expectancy in education, unsatisfactory local governmental structure, control by small-minded men, unimaginative budgetary decisions, inept local management, ineffective or misdirected state leadership, and lack of local effort also often can be found where such program inadequacies exist.

As states have discovered the extent to which they, as well as the federal government, have been stimulating the bit-by-bit improvement of education through foundation program definitions or clearly labelled special aids, a number of disturbing questions arise. Have states been stimulating quantitative expansion of services at the expense of the over-all quality of educational results? Where they have been striving to stimulate the quality of staffing, have the quantitative factors which lend themselves to stimulation—length of service, number of years of education, or type of certificate held—assured improved quality? Is it possible to stimulate one qualitative factor without adversely affecting other crucial factors, such as staffing ratio versus qualifications of staff or staff characteristics versus adequacy of facilities? Has state leadership been misdirected? Would greater improvement have come from a direct attack upon the structure of local government, the improvement of local management, particularly with respect to budget making and personnel administration, and research and experimentation in over-all assessment of school quality?

As states study their policies on general aid, whether or not hidden within an equalization program, they will ask such questions as these: In light of the growing demands for state revenue, are all local units receiving such grants actually in need of local tax relief? To what extent can the same objective be accomplished by rehabilitating or broadening local taxing powers? What is the minimum amount of general support required to overcome the consequence of population mobility and to attain a sound distribution of school taxes among various tax bases?

NEW YORK REAPPRAISAL

The New York State Education Conference Board (a private group representing the major organizations interested in public education) and the Joint Legislative Committee on School Financing (an official body) during the past year have attempted such a reappraisal. Both groups recommend a de-emphasis, if not an abandonment, of all special aids. . . .

The Conference Board proposed a shift from the traditional emphasis upon a defined, predetermined, foundation program to a more dynamic policy—one which would enable the state to have as many good schools as possible at any given time with due regard to the limiting factors other than money. The Board proposed state equalization of local taxation, accomplished by establishing a sliding scale of percentages of state support according to the taxable wealth of a locality, and applying these percentages to the locally adopted school budgets. The only control on local spending proposed was a limit on the annual increase in the budgets subject to state sharing—$50 per pupil unit for current expenditures.

Under this proposal, a poor district, an average district, or a district with above average wealth all could support the same level of expenditure per pupil unit with a given local tax effort. Proposals were made for strengthening state leadership directed toward over-all qualitative improvement and removal of impeding factors. To make possible expanded local effort, proposals were made for expanding local taxing powers with special attention to tax limit and fiscally dependent city school systems.

The Joint Legislative Committee proposed a modified version of this approach. It accepted the state share concept, but suggested ratios which involved more general support than the Conference Board had recommended (49 percent state sharing on the average as compared with 42 percent). The Committee did not agree to apply the percentages to locally adopted budgets. The legislation as adopted applies them to operating expenses of the preceding year up to a limit of $500 per pupil unit corrected only for growth in attendance from the base year to the current year. It also applies them to base year capital outlays and current year debt service for school buildings, also subject to a ceiling for new buildings. . . .

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IMPROVEMENTS IN OTHER STATES

During the past year a number of Eastern and Southern states have taken steps to improve local support for education. Indiana, like New York and Wisconsin, is basing its debt limits on full valuation as determined by the state. . . . Virginia is using revised true valuation figures in its new formula, which also recognizes local effort. Ohio has removed the power of county budget commissions to reduce school levies and has reduced the voting requirements for such levies from 60 to 55 percent. West Virginia has introduced an incentive element into its state school support program.

These deviations from standard practice do not represent a trend, but they do offer a challenge to the status quo and generally accepted clichés in school finance. Certain concepts in these developments appeal to me: (1) Looking at over-all school quality rather than at piecemeal, discrete improvements and directing state leadership to this end. (2) Looking at the total allocation of tax resources to the support of education rather than preoccupation with refined but inadequate state school support formulas. This involves the rehabilitation and improvement of local revenue sources as well as state support. (3) Recognizing that inadequate educational opportunity is the product not only of poverty but also of backward public opinion, outdated governmental structure, provincial local control, poor quality of local management, lack of wisdom in state leadership, and other unwholesome conditions in the whole legal and operational setting.

Past Developments and Emerging Changes in Local-State School Finance

Erick L. Lindman (7:36-41) at the 1963 Conference of the Committee briefly reviewed school finance developments since 1900 and identified finance pressures on the current scene. Excerpts follow.

SCHOOL FINANCE TIMES SINCE 1900

Early in this century, school finance struggles often were centered in local communities. Attempts were made to improve budgeting and accounting procedures, so that the arguments for increased school funds could be adequately supported and expenditures properly accounted for. . . .

. . . Cost-analysis procedures developed for the relatively simple school program of the 1920's are not adequate for the complex program of the 1960's. Changes in public school records and reports are needed so that vital information about cost-program relationships will be available for planning and evaluation purposes.

It was during this period that the concept of fiscal independence was developed in an effort to give school boards budgetary authority commensurate with their educational responsibility. School leaders were quite successful in convincing each other that this was a necessary and proper arrangement, and in some states fiscal independence for school districts was achieved, but in others political leaders were unimpressed and the fiscal reins remained in the hands of city councils and county courts.

With fiscal independence came additional responsibilities. School superintendents found themselves campaigning for public support needed to win approval of increased school tax rates at the polls.

Perhaps the most persistent problem in local school finance was, and still is, the administration of the local property tax. When states relinquished the state-wide property tax to local governments, the need for state-wide supervision of property assessing practices became less urgent. But to make the foundation program function properly it was necessary to develop procedures to keep assessed valuations in line with increasing values of real estate and to equalize the ratio of assessed value to true value so that local contributions to the foundation program would represent equal tax effort throughout the state. While sales and income taxes are more or less self-adjusting to inflation, property taxes require corrective action by public bodies—action which is often slow in coming.

During the 1930's, many state legislatures sought to protect property owners from excessive burdens by enacting state-wide tax limitations. Under these conditions, with the tax rate limitation fixed by state law, the local assessor became the officer who determined how much revenue should be obtained from property tax sources. He did so by fixing the taxable value of property. The inconsistency of having a uniform state-wide tax rate limitation and applying this rate to locally determined property valuations which were not uniform from district to district was frequently noted but seldom corrected.

Recently there has been much discussion about local nonproperty taxes for schools, but more discussion than action, partly because the enactment of such legislation tends to complicate even more the problem of equalizing tax effort for support of the state school foundation program. It is difficult enough to measure the property taxpaying capacity of a school district; the introduction of a variety of nonproperty taxes adds to the complexity of the problem. Moreover, in most states, nonproperty taxes are thought to be more effectively administered by the state. Despite these considerations, local nonproperty taxes are being used for school support in some states, notably Pennsylvania.

Events of the past 60 years show quite clearly that local school finance cannot be considered independently of state school finance, and much has been written about the emerging state-local partnership of school support.

STATE SUPPORT PURPOSES

Clarification of the purposes of state school support and the development of techniques to implement these purposes have occupied the attention of many able minds during the first half of this century. Five rather distinct purposes of state support have been discussed extensively in school finance literature. These purposes are:

1. To promote improvements in school practices by making state aid payments contingent upon adoption of these practices by local school districts.
2. To compensate school districts for unusually expensive aspects of the school program, such as pupil transportation.
3. To guarantee a minimum level of support per child for all school districts based upon uniform tax effort as illustrated by the foundation program.
4. To provide an incentive for greater local tax effort, as illustrated by the state support programs in Wisconsin and Rhode Island.
5. To broaden the school tax base to include revenues derived from state-administered nonproperty taxes.

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Throughout this period of school finance experience, the effort to clarify purposes of state school support was accompanied by the development of techniques to implement them. The economic index of taxpaying ability was developed to side-step the political and technical difficulties in equalizing property assessment ratios. As schools accepted the responsibility of providing transportation for pupils, it was necessary to develop formulas for measuring objectively the pupil transportation load of school districts. In some states, the adoption of salary schedules for teachers was stimulated by incorporation of a salary schedule into the state apportionment plan. To overcome the ceiling on state support inherent in the foundation program idea, modifications of the original Updegraff proposal were developed. Techniques for state support for school construction developed rapidly after World War II in response to the sudden acceleration of school construction during that period.

EMERGING CHANGES

. . . Some of these changes are becoming apparent:

1. State legislatures, feeling the double pressure of public criticism of education and the increasing demands for funds, are searching for ways to promote improvements and economy in the public school program. These two goals often conflict and may lead to excessive earmarking of state support and to various types of state administrative controls. . . .

2. . . . Traditionally, public school teachers have contracted individually with school boards. This legal arrangement is being re-examined and new procedures discussed. . . .

3. Junior colleges are growing in number and enrollment, paralleling in many ways the rapid growth of high schools which occurred during the first quarter of this century. . . . Are the junior colleges to be local institutions deriving support from local property taxes or are they to be state institutions supported exclusively from state funds? . . .

4. Urban school problems are receiving more attention. Population shifts, pockets of unemployment in large cities, and high costs of suitable school programs require another look at some of our school finance assumptions. . . .

5. Extension of the school year is rapidly becoming a reality through voluntary summer schools. . . . What financial arrangements are needed to get maximum educational benefits from the summer session? . . .

6. A pattern of federal participation in school support is emerging. The state-local partnership in school finance is being replaced by a three-way partnership involving the federal government. How can this three-way partnership be made to function most effectively? What portion of the federal contributions to local schools should be used to finance the state foundation program? What policy should govern the administration of federal categorical aids, and how can they be geared into state categorical aids without producing confusion? These and other questions must be answered as techniques are developed for local, state, and federal participation in school support.

As efforts are made to resolve school finance issues under changing conditions, it is safe to predict that old problems will not disappear. The proper purpose of state support for education will still be debated, but perhaps with more tolerance for a comprehensive multipurpose program. Although the achievements made in the field of school finance during the past half century are impressive, exciting challenges and opportunities lie ahead.

Analyzing Future School Cost Factors

William P. McLure (8:98-102) at the 1962 Conference of the Committee outlined a model for measuring school needs as a basis for projections of future fiscal needs. Excerpts from his study of this question follow.

The fiscal questions uppermost in the minds of school board members and legislators are these:

1. Why do we need more money for public schools?
2. How much more money will we need?
3. Where is the money coming from?

The first one requires a justification of what is spent now as well as of the additional amounts needed. The second one demands a projection of needs into the future. The third question calls for an analysis of revenue sources.

Answers to these questions are essential to public understanding and to responsible agencies of government as a basis for establishing sound fiscal policy. There is no end to the need for continued research on them.

In recent years much effort has been spent on studying these questions with one approach or another. Witness the large numbers of state and local surveys, special studies, and the subjects of discussion bearing on them in these national conferences on finance.

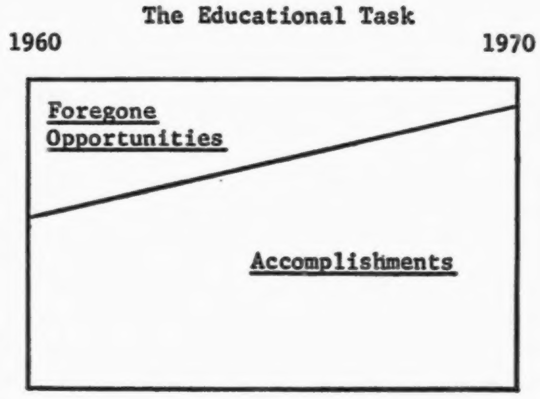
WHY MORE MONEY?

In this discussion I want to concentrate on the first question, Why do we need more money for public schools? This is the one which needs a tremendous amount of hard research at the moment. Some recent observations of schools in various types of communities leave me feeling very strongly the need for a series of studies in depth to analyze the cost of education. We need a study on a nationwide scale of appropriate samplings of communities of various types to portray a definitive cost of education. . . .

The problem is fundamentally to advance the science of cost analysis. . . . The necessary analysis has two dimensions which seem to appear in the following order of importance: One is the indigenous nature of the cost of the program or the educational task facing communities. The other is a comparative quality which reveals the variations of cost components among communities with contrasting populations, including such things as size, social composition, and geographic distribution.

I think it would be fruitful to re-examine the purposes of education in the light of present and future social needs. The essential task facing boards of education should be defined in broad and understandable educational terms which are translatable into fiscal needs. To accomplish this objective we must find a way to assimilate the knowledge from specialists in curriculum, psychology, sociology, and finance.

As a general scheme of analysis and projection we might pose two basic categories of knowledge to be put in descriptive and fiscal terms as follows:



Parts of the educational task of the school system are accomplished, others are foregone. We see this with pupils who drop out of school. Ordinarily, costs are computed only in relation to the population which remains or is estimated to remain, not for those who drop out. . . .

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THE GENERAL COMPONENTS

The general components on which considerable information gives promise for analyzing the foregone and the accomplished ends of education are:

1. *Basic costs.* These costs are associated with regular programs, although class size and service personnel may vary within and among schools. Perhaps a minimum of 50 professionals per 1000 pupils would be found to be an adequate basis for this subcomponent. Nonprofessional staff, materials, housing, and other requirements could be estimated from defensible standards.

2. *Cost of living.* The underlying assumptions of this component found in previous studies should be re-exam-

ined. The contribution of this factor to the essential standard of living of school personnel needs clarification.

3. *Special programs.* One of the unique developments in American education is the emergence of special programs of instruction and services. Examples are: classes for mentally and physically exceptional children, socially maladjusted, culturally deprived, special vocational programs (not regular ones), academically talented, and Americanization classes for newly-arrived immigrants. Services of visiting teachers, counselors, health specialists, and others are needed to work with the parents and community agencies.

4. *Transportation.* This has been a long-standing element of cost in rural areas. The need for it is becoming common in most districts in varying degree.

5. *Small-school correction.* Despite the consolidation of schools and school districts in areas of sparse population, the necessity for some relatively small schools still exists. The result is that staffing of programs and requirements of facilities cost proportionately more than in areas of larger school populations.

6. *Pupil mobility.* In some areas, particularly the cities, pupil transiency is so great as to require additional staff for guidance, contact with the homes, remedial instruction, records, and other services.

7. *Programs for drop-outs.* These programs might be classified in the group of special ones except that the magnitude justifies a separate category. Considering the changes in the occupational structure, the decreasing proportion of unskilled and semiskilled jobs and the accumulating numbers of youth and young adults who drop out of school, the task of providing a program of continuing education for these people undoubtedly presents a fiscal problem of startling size.

8. *School-community services.* Increasingly, public school systems are having to engage in community services in cooperation with other agencies. Recreational services in the afternoons and evenings, on weekends, and during the summer months are one example. Health services, special traffic and security services, counseling, and other services for adults are becoming more and more essential. Community planning draws increasingly upon the time of school personnel.

These items have been identified as components of educational costs which offer excellent promise for study.

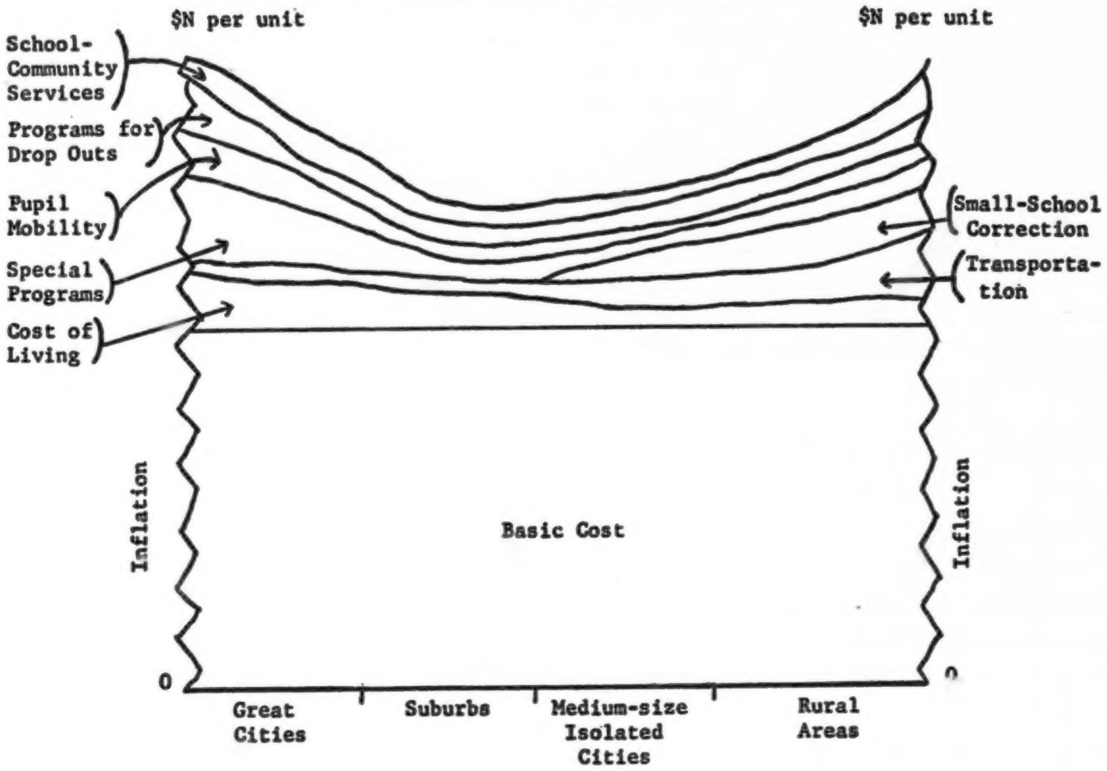
COMPARABLE COSTS

In addition to showing a better picture of the fiscal problem of public school systems, such studies properly designed might show comparative costs among school systems of different types. Comparative studies of the past have concentrated primarily on schools in rural areas. Measures have been developed in several studies for transportation service and the extra per-pupil cost of small schools in those areas.

Only in recent years have pressing questions been raised about the need for recognition of similar corrections for unique cost factors in other types of communities, the large cities in particular. . . . The following diagram [p. 185] suggests a possible approach.

This diagram suggests two hypotheses. First, there is the assumption that in a given situation from the great cities to the rural areas costs can be dissected into a number of functional components. Taken together these parts should portray an enlightening picture of the fiscal problem of education, thus providing a defensible basis for projecting future needs. Second, there is

COMPARATIVE EDUCATIONAL COSTS



the assumption that these cost elements can be reduced to standard units so that comparisons may be made from one type of community to another.

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The suburbs adjacent to the great cities are postulated as having a lower proportion of these elements to the basic costs than the cities. The isolated, medium-size cities probably have the lowest proportion of overriding costs.

Such an analysis of educational costs would provide a basis for a new projection of fiscal needs for the next decade or more. This estimate would give a check against recent projections which have been based on simple gross data. Comparative costs would be useful to improve long-range fiscal policies for education at local, state, and federal levels of government.

NEED MORE RESEARCH

The planning of programs and projection of educational needs at each of these levels of government lack vigor and impact. On the surface it might appear that the reason lies in the overpowering demands on staff time to keep the wheels oiled and turning. There is little time left to study why they turn as they do. An easy test of this proposition is to observe the difficulty involved in getting any information out of the ordinary routine operational and reporting procedures.

But there seems to be a more likely reason why these processes of planning and projection fall short of the demands of modern times. I think the explanation lies in the need for a tremendous amount of additional research in this area. There is not enough applicable knowledge on the measurement of fiscal needs. We have not advanced the science of measurement far enough to know the nature and form of essential information to be collected and stored for such purposes, or the methods of measurement for wide applicability.

Further Analysis of School Cost Factors

At the 1964 Conference, LeRoy J. Peterson (9:63-65) reported a study of the impact of state support programs based on data from 24 school districts in four states. His conclusions and a hypothetical state support model are given in the following excerpts.

Objectives of state support have been well considered and clearly formulated, but more often from a philosophical than a research viewpoint. There is no clearly stated theory of educational finance available for testing. Research often shows effects of state support at variance with its stated objectives and changes in state support based on research have been implemented slowly. Because there has been no coordinated research attack on finance problems as a whole, state support programs are frequently adopted without research and the testing of assumptions upon which they are constructed. Since stated support of education may have several, often conflicting, objectives, desired objectives should be explicitly incorporated in the operational design of the formula.

Educational finance with few exceptions has been considered in isolation from other aspects of public finance; however, to achieve equal treatment under similar economic conditions the financing of local educational and governmental enterprise should be considered in totality.

The factor analysis indicated the following conclusions: No single measure of wealth presently used adequately describes ability of a community to support public services. Personal income tax paid is the most adequate measure of fiscal capacity available from public records. Relative community wealth and local school support are not related to size of population. Municipal support is essentially unrelated to measures of fiscal capacity. State school support is inversely related to measures of fiscal capacity. Municipal support and local school support tend to be unrelated or inversely related to each other. Educational responsibility cannot be assessed in a clearcut fashion utilizing simple measures such as population, numbers of staff, or ADA of pupils. Educational responsibility of a community must be financed through a program of support related to, but not limited by, the fiscal capacity of the district. Many elements of education and educational finance are distinctive and not related to other variables or factors in any consistent manner, i.e., teacher qualifications, pupil-teacher ratios, etc.

Statistically significant differences among classes of districts obtained by discriminant analysis indicate a choice must be made between developing a state support program that deals uniquely with each school district or of identifying characteristics of all possible classes of districts and developing appropriate state support programs for each class.

From analysis of operational differences among 24 districts, it was evident that municipal and school finance are unrelated under present state support programs. In addition, local decisions determine many aspects of the educational program of a school district.

Based on the above results and conclusions, a hypothetical state support model was proposed.

HYPOTHETICAL STATE SUPPORT MODEL

The dimensions and framework of the model are described by the following recommendations derived from the study:

- The relationships among school, municipal, and county finance should be recognized.
- Educational responsibility should be described in terms of a "price program" which emphasizes quality, productivity, and efficiency.
- The model should incorporate the best available measure of fiscal capacity.
- Desirable special cost features must not be discouraged.
- The same relative level of local effort should produce equivalent educational programs in all school districts.
- Incorporation of private and parochial school costs (while not recommended) should be possible.

The following state support formula is proposed:

$$\text{State support} = (1.00 - \frac{FC_D}{SR_D}) \times PP_D$$

where:

FC_D = fiscal capacity of the district expressed as a percent of the state total

SR_D = service responsibility of the district including those of the county and municipality expressed as a percent of the state total

PP_D = the priced program of the district including county, municipal, and educational services.

No definitive measure of fiscal capacity emerged from the analysis, but net personal income tax paid appeared as the major component of the most comprehensive factors describing educational climate which also correlated with other measures of wealth and income flow. The use of equalized valuation of property cannot be justified, since different types of property were shown to be unrelated or even negatively related to each other and to their total. However, any method of determining fiscal capacity is easily geared into the model as long as the percent of state total found in each district can be ascertained.

The priced program is the amount of money necessary to provide high quality, efficiently operated public services using commensurate methods, procedures, and equipment. The educational program of each school district would be priced by the local district and reviewed by the state educational agency. Municipal and county priced programs would be determined by the method deemed appropriate by the state. Where municipal and county expenditures are more or less than the priced programs, commensurate local tax adjustments would follow. However, educational expenditures less than the priced program would entail reduction of state support while all expenditures above the priced program would be borne locally.

The service responsibility of each district may be calculated as the priced programs of the municipality, the county, and the school district reduced by the respective revenue receipts including shared taxes, grants-in-aid, etc., and is expressed as a percent of state total.

Districts having fiscal capacity in excess of service responsibility would be assigned a financial obligation to a state equalization fund by the application of a state-determined rate to the excess.

Should a state decide to provide support greater than that needed for equalization, it could determine the percentage of the priced program to be supported in all districts. This amount would be subtracted before equalization support is calculated.

Outlook for State School Finance

Erick L. Lindman (10:13-14) in discussing the outlook for state school finance in 1964-65 stated:

Most school finance problems converge at the state level. It is here that policies are established governing all funds received by school districts. Various kinds of federal payments must be properly related to the state school support program. It is here that fundamental issues concerning the allocation of the local property tax resources between the state foundation program and local leeway funds are resolved. . . .

. . . in most states during the ensuing year [1964-65] school finance programs will be affected by twin pressures upon state legislatures, the quest for economy and that for correction of real or fancied weaknesses in the public school program. Under these twin pressures there may be a tendency for state legislative bodies to try various remedies tending to restrict freedom of action of local school systems.

As state legislative bodies demand a clearer justification for the amounts to be included in state foundation programs, the merits of the "itemized" foundation program, developed largely in the southern states but adopted in modified form in several states north of the Mason-Dixon line and in the west, will probably be given serious consideration in many states which formerly rejected this approach. But it is impossible to generalize on the directions of change which will occur in state school support programs because each state will respond to these new conditions in terms of its own unique history, its own consitutional provisions, and the wisdom of its leadership. . . .

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VIII. Financial Needs of Different Types of School Districts and New Educational Services

Chapter VII dealt with the principles and technical procedures in distributing school funds to guarantee educational opportunity for all children. Until recently the tacit assumption in state school plans has been that the application of certain techniques in measuring educational need, fiscal capacity, and the like, would generally be applicable to all types of school districts rendering equivalent educational services.

Changed conditions are focusing attention upon the special problems of various types of school districts, great cities, suburban and rural areas, and the need for new types of service such as summer schools and junior colleges.

One might look upon these developments merely as needed modifications in the measurement of educational need and fiscal capacity in a state school finance plan. However, they are dealt with separately in this chapter, although it is recognized that they are closely related to the previous chapter.

The Problems of Big Cities

The educational needs and fiscal ability of big cities have received special attention in recent years by the Committee.

Particular Difficulties of Financing Education

At the 1962 Conference, Paul R. Mort (1:68-71) dealt with some of the special problems of financing education in big cities. He gave particular attention to the mounting costs of government in all areas of public service, as they affect ability to support schools. Excerpts from Mort's address follow.

The problems of financing education in big cities, as in other districts, can be classified into those associated with long-time planning designed to increase the productive potential of the mechanism, and those of a current character associated with maintaining the efficiency of whatever mechanism is in being. The former category gets short shrift in most big cities, as in altogether too many school districts. The latter category embraces those considered to be the "practical" problems.

I shall identify two of the problems in the long-time planning category and discuss one of them at some length.

More than any other size group, I believe, the great cities suffer from inability to supply quality teachers in sufficient numbers. . . . Put another way, their schools are under-supported.

These great cities, which we looked to for leadership a half century ago, appear to be lagging. In spite of their great wealth, the tendency appears to be almost universal among them to ignore the problems associated with modernizing staffs with respect to quality and numbers. It seems to take all the energy of those concerned with the systems just to maintain some semblance of the degree of strength achieved in the past.

This condition doubtless has many roots. One of them is the anomaly of lack of sufficient school funds in the presence of what is obviously great wealth. The other is, I believe, the application of a system of control that developed historically in small populations and was not sufficiently adjusted as populations burgeoned.

LACK OF FUNDS

Most of the attempts to correct the fund shortage in big cities have limited themselves to efforts to modify the programs of state aid for schools to recognize differential costs of education arising from (1) disproportionate numbers for whom vocational education appears to be appropriate and (2) disproportionate numbers of children from families of low educational aspirations for their children. These attempts center on the measure of educational need. I would not minimize these issues, but from my own checking I am convinced that any rational corrections in the educational-need dimension would not begin to correct the financial situation. . . .

. . . I am persuaded that the root of the difficulty lies in our failure as a people to recognize that concentration of population spawns the need for what are essentially new functions of government. Over the last 50 years all states have made great headway in shifting the cost of local government to state and federal tax bases. Local financing of government has all but disappeared except for education. While the share of the cost of education carried by the state and federal governments has increased only mildly over this half century, other major aspects of government such as provision of highways and welfare have shifted radically from local to state and federal support. In some states the lion's share of money spent by municipal governments in all but the thickly settled areas is supplied from state and federal taxes.

Why then the mounting costs of government in big cities? I think it is because what we now call police protection and the protection of property have changed in their character from earlier days. With congested population have come not only water pollution and air pollution, but also large gobs of human pollution. The number of people employed for the protection of persons and property in New York City exceeds the number employed to provide all the schooling offered in the city's public schools. Witness also the increase in the number of judges and courtrooms.

It is not difficult to cite other examples of burgeoning new forms of government.[1] . . .

What this problem requires is a new look at the arrangements for state and local support of municipal government. . . . Approaches to the problem of state and local support of municipal government that have come to my attention seem to be attacking the problem in the old rural framework.

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[1] See: Tompkins, Clarence. *Nature of the Burgeoning Municipal Government.* New York: State Educational Conference Board, Staff Study #4. Albany: the Board, 1961.

Of course the federal government has shown a mild interest for 40 years, but the line of approach of the federal government, benevolent as it may prove in the long run, often has its immediate effects in the reduction of local taxing power. Great highways through the cities and great bridges are not taxed; even though 90 cents on the dollar may come from the federal government, the immediate result is a reduction in property tax. New courthouses to deal with human friction may be beautiful, but they are not taxable. The same holds for much of the slum clearance. Creating new public buildings and parks and the construction of great access thoroughfares, needed though they are, in their immediate effects at least reduce the ability of the community to support its schools.

I shall not labor this point except to say that it is my belief that we cannot allow the schools to continue to suffer until such time as the state and federal governments put the house of municipal government in order. It is for this reason that the New York State Educational Conference Board . . . recommended what appeared to some people to be a fantastic correction of the ability measure for use in computing educational aid to municipalities. The Conference Board in its *1961 Review of Fiscal Policy* proposed that the problem be dealt with by recognizing the impairment of ability to support schools where the district for one reason or another finds its municipal government making a much larger than normal demand on the taxpayers. This holds for all the big cities and for a goodly number of districts in any category. In one of the staff studies for the Conference Board[2] John Polley has the following to say:

> There are two possible purposes to this study. One is to measure the municipal demand on the tax base. If the demand is reasonably equal from community to community, then nothing further need be done. But if it is not equal, then the second purpose comes into being, which is to devise a correction to be applied to the tax base of those communities where municipal need is greater than normal.

. . . . . .

Polley's study shows that the relationship between the municipal tax levy and educational costs computed at a constant level vary from around 20 percent to 70 percent. . . .

. . . . . .

A study of New Mexico made in the fall of 1961 by James Slezak shows that the differences of impact of municipal government, even in that state, are sufficient to shake confidence in our longtime assumption that we could rest with wealth per unit of educational need as a measure of ability to support education.[3]

EXERCISE OF PUBLIC RESPONSIBILITY

The other long-time problem—that of the character of local school government in the big cities—arises from the difficulty of mobilizing the thinking power of those lay citizens who have the capacity to grapple with the basic problems of what they want their schools to do for all children and how to finance an educational program that will achieve the results the community wants. I think this is what we really mean by bureaucracy. It isn't that the persons employed by the school systems are not devoted and careful people; it is that their access to the kinds of persons that come to the fore in the smaller communities is extremely limited. . . .

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[2] Polley, John. *Variations in Impact of Municipal Government on Ability To Support Schools.* New York State Educational Conference Board, Staff Study #3. Albany: the Board, 1961.

[3] New Mexico State Board of Education. *Toward a More Dynamic Fiscal Policy for New Mexico Schools.* Santa Fe: the Board, October 1961.

School Support and Other Municipal Government Costs

Erick L. Lindman (2:129-32, 134) at the 1963 Conference of the Committee dealt with another phase of finance in big cities. He asked whether every community should be expected to devote the same proportion of its property tax to support the state school foundation program. The technical data and formulas upon which the following excerpts are based are omitted. Those interested in these should consult the complete article.

. . . State support formulas usually provide extra funds to cover the higher costs of pupil transportation and the operation of small isolated schools in rural areas. But rarely do these formulas recognize special cost factors in city school systems. High prevailing wage rates, costly school sites, high costs of housing and transportation to and from work of school employees —these and other factors all have an impact upon the school budget in the metropolitan area. Recently the problem of these school systems has been aggravated by the immigration of many educationally retarded children who require costly remedial instruction and special counseling.

. . . it has always been assumed that cities can, with modest property tax rate increases, pay for these unusual costs from local property tax sources. The validity of this assumption, in view of the increasing double burden upon the city property taxpayer, should be re-examined.

. . . . .

In the past, city school systems were usually in better position to supplement the state foundation program than were school systems in suburban and rural areas of the state. City school systems could, often with little extra effort, pay better salaries to teachers and meet their higher costs. Have changing conditions materially altered this situation? More specifically, has the changing nature of the city school problem and the growing double burden upon the city property taxpayer made it necessary to adjust an approach which was satisfactory in the past?

. . . . .

. . . The state school support program assumes that the same proportion of the property tax base is available in all school districts to finance schools. The soundness of this assumption from the practical, as well as the theoretical, point of view is questionable.

During the recent extensive study of school support in New York State, a plan was proposed to reduce the share of the local property tax presumed to be available to support the state school foundation program in cities in which municipal government tax rates were excessive. Such a plan would, of course, result in increased state contributions to public schools in cities where tax rates for municipal services were relatively high.

Opponents of the proposal pointed out that if a city has a high municipal tax rate, presumably its citizens receive the benefit of more and better governmental services. If the taxpayers are paying for these services and not getting them, the remedy is not to increase state school aid, but rather to elect city officials who will either reduce the city tax rate or provide the services for which the people are paying.

The second objection to this approach to the problem is closely related to the first. If state school aid is increased to a city which devotes a disproportionately large share of its property tax base to municipal services, the state school fund might thereby encourage communities to devote a greater share of the property tax to nonschool purposes. Such use of the state school fund is hardly consistent with the purpose for which the fund was created.

These objections to the proposed remedy do not deny that high nonschool local property tax rates may impair a community's capacity and willingness to support public schools. Rather, they are directed at the dangers of rewarding inefficiency and extravagance in local governmental services. Thus rejection of the proposed remedy leaves unsolved the school finance problem stemming from the double burden on the local property tax base.

THE TOTAL POPULATION FACTOR

A city which has a high property tax base in relation to public school enrollment will, in most cases, have a relatively high property tax base for local governmental services. Thus, a community which is in a favorable position to finance its public schools will usually be in a favorable position to finance municipal services. But notable exceptions exist. . . .

THE LOCAL PROPERTY TAX BASE

The allocation of the local property tax base between the state school foundation program and local municipal services can be based upon two distinctly different principles. The legislature may declare, as it has implicitly in most states, that each community is expected to allocate the same percent of its property tax base to public schools. . . .

On the other hand, the legislature may recognize the double burden upon the local property tax base and expect [a city with a large] total population, to devote a larger portion of its local property tax base to municipal services and have available a correspondingly smaller portion for public schools. . . .

. . . . .

SUMMARY

The growing double burden upon the property tax necessitates re-examination of the principle that every community should be expected to devote the same proportion of its property tax base to support the state school foundation program. This paper suggests a method of allocation of the local property tax base between the state school foundation program and the municipal government. The method assumes that a city's financial requirement for municipal services is proportional to its total population and its school requirement is proportional to its school population. While research is needed to verify this assumption, the cost of comparable municipal services is more likely to be proportional to total population than to public school attendance.

It is not expected that the suggested correction factor will be equally appropriate in all states. Individual state studies will be needed to answer several questions. Does a high nonschool property tax rate actually impair a city's ability to support schools from the property tax base? . . .

Finally, there is the theoretical question. Should the local contribution to the public school foundation program be regarded as a locally administered state tax uniformly levied against all taxable property in the state? Or, should the local contribution to the state school foundation program be a reflection of the capacity of a community to support its public schools from property tax sources? . . .

Density Correction in State-Aid Formula

Arvid J. Burke (3:135-37) at the 1963 Conference critically examined the density correction in the New York State aid formula for cities of 125,000 population or more. The following is his analysis:

The density correction in the state aid formula for schools in New York State is very simple in application. A school district in a city of 125,000 or over is allowed 10.0 percent more state support for operating expense than the formula itself (based largely upon attendance and the full valuation of taxable real property) would provide.

The question of whether or not this is a defensible adjustment is both politically controversial and economically complex. The fact that it applies only to a city 125,000 or over and is exactly 10.0 percent in each such city indicates that the decision was political. The six biggest cities differ widely in both population and density of population. The fact that the decision was made at the same time that the state was eliminating a similar correction averaging about 11.0 percent but applied only to reorganized districts has increased the bitterness of the rural-urban political conflict.

There probably is as much rationale for the density correction as there ever was for the sparsity corrections in the law or for most sparsity corrections in other state aid laws. Sparsity corrections usually are based upon hypothetical costs rather than upon actual expenditures. They generally are derived from only one of the many factors affecting expenditures (pupil-teacher ratio). There never has been a broadly conceived study of sparsity effects which weighed all the variables affecting the relative cost of providing education in various areas of a state. Too often sparsity corrections merely reward small area, small enrollment school districts. (Many of these are on the periphery of cities and villages and are as densely settled as the cities or villages.) Too often the corrections ignore the problems of large area, large enrollment districts which may have more extreme sparsity of population than the small ones.

The most justification which we ever had for the sparsity corrections is that there is a great deal of poverty in the country districts accompanied by a general reluctance to impose local school taxes. Anything which the state would do to bring better education to such areas was considered defensible. Rural domination of legislatures certainly has made it easier to get this point of view accepted.

It has been much more difficult to get legislatures to take such an understanding view of large cities. They often are considered to be both wealthy and extravagant in the expenditure of public funds. The fact that the wealth of large cities is rapidly declining has not been understood. They still are relatively wealthy compared with most country districts. They are not even as poor as they often think they are, but their economic status is deteriorating very rapidly. This we can document in New York State.[1]

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[1] See "Financial Support for Public Education as Related to Local Fiscal Ability, Constitutional Tax and Debt Limitations, and Authorized Taxing Powers" in Report of Joint Legislative Committee on School Financing (1963).

As in the case of rural and so-called sparsely settled districts, it cannot be said that actual expenditures per pupil in the large cities in the state are generally higher than the state average. What is true is that their needs for education and other public expenditures are expanding rapidly with the changing character of their economy and population. Economic resources to meet the needs are not growing as fast as the needs. Existing revenue systems are not expanding fast enough to keep up with the demands for public services.

Probably there are no more serious educational problems anywhere in the United States than exist in the core cities of metropolitan areas. Yet, it has been difficult to marshal funds for public school support in our six biggest cities. The percent of their tax revenues allocated for school support tends to be much lower than for the rest of the state. As in the rural areas, tax rates for school support tend to be on the low side. Expenditure levels have responded more slowly to inflationary pressures than elsewhere.

Some characterize this condition as "municipal overburden," implying that the needs for other government services restrict school support in large cities. It is equally plausible that the combination of fiscal dependence, organized labor, nonpublic schools, higher proportions of unmarried adults and older persons in the populations, machine politics, big government, and other factors make it possible to generate more pressure for other governmental services, necessary or not, than can be generated for essential public school needs.

Some blame the conditions on the constitutional property tax limits, which are more restrictive in the six big cities than in other cities or in towns. In terms of actual property tax rates this does not seem to offer an explanation. Property tax rates generally are lower elsewhere in the state, but a higher proportion of the tax generally is allocated for school support. Furthermore, all of the six large cities have nonproperty taxing powers which they are not using.

What we have in big cities is a complex set of conditions making it difficult to muster sufficient support for public education at a time when the educational needs of these cities are more critical than ever before. It was not poverty alone but outdated school district structure, public values, and many other factors which resulted in the deplorable educational conditions found in the rural areas of the state during the first three decades of this century before the state equalization program brought some relief. To the extent that the density correction brings relief it can be defended. Many other aspects of state equalization programs have had no better justification than that.

The danger with the correction is the attitudes which develop around it. It is a relatively minor source of school revenue compared with total state aid or total local school taxes. Sometimes I am convinced that the big cities, the rural districts, or the suburbs would be happier to attain some slight but insignificant financial advantage over others than to work together to get adequate financial support for all. The divisiveness generated by sparsity and density corrections could very well result in keeping state school support for all below what it might otherwise be.

Another danger is that the density correction approach oversimplifies the problem. Regardless of how we measure taxable resources, about 90 percent of them are located in the seven metropolitan areas of the state—the core cities and their suburbs. Local instrumentalities for enabling these areas to tax their resources cannot be overlooked. Nor can we fail to grapple with the forces which cause school support to lag in large cities. Perhaps what we need more than "density corrections" is state support plans which force or stimulate large cities to allocate more of their tax revenues to school support. This is one of the objectives of the new state aid law in New York State. It prevents the large cities from using local funds for other purposes when state aid is increased, as has too often happened in the past.

Need for Recognition of Various Cost Differentials

At the 1964 Conference, Orlando F. Furno (4:66-71) further analyzed the complexity of the financial problems of big cities and urged adjustments in state-aid formulas to provide opportunity for urban children. Excerpts follow:

If equality of educational opportunity is to be achieved in the schools of our great cities, financial support plans for education must be drastically revised. We in the great cities ask no more than that all districts, large or small, be treated equitably in the distribution of funds for education.

. . . . .

. . . When there is lack of money to buy books or to offer instructional programs geared to each student's individual needs, pupils in great numbers drop out of school. Drop-outs become unemployables, unemployment creates poverty, and poverty breeds crime and corruption. Funds that should have gone into education must now go into welfare payments and crime prevention. Expenditures for these and other such purposes have come to be known as "municipal overburden."

MUNICIPAL OVERBURDEN

Data are available to show that as population density increases, the per-capita cost of municipal government sharply increases. Police organization, transportation facilities, traffic control, fire protection, waste removal and disposal, sanitation facilities, snow removal, smoke control, supervision of weights and measures, street maintenance, welfare programs, public hospitals, libraries, and museums are a few of the services that increase municipal expenditures in the great cities. No one maintains that these services shouldn't be provided to people in rural areas. But in the great cities such services are more urgently needed. . . .

Decreasing tax base and ability to support education. At the same time that nonschool governmental costs have increased, great cities have experienced decreasing tax bases to support municipal functions. In a recent study, Carl Thornblad showed that great cities support municipal functions primarily from local property taxes. With respect to education, 12 of the 15 great cities pay well over 60 percent of the total costs for operating public schools from local revenues. Yet in these same great cities the property tax base—taxable assessed valuation—has not even kept pace with pupil population growth, much less with increased costs due to municipal overburden.

. . . . .

Recognition of municipal overburden in state aid formulas. At the turn of the century and for a few decades later, municipal overburden didn't represent too great a fiscal problem in great cities.

Schools were supported at relatively high expenditure levels. But this is not true today. No state recognizes in its foundation program the fact that the ability to support public education is reduced in school districts wherein the costs for nonschool governmental purposes are relatively high. LeRoy Peterson et al, in their historic study, *Economic Impact of State Support Models on Educational Finance,* recommended that adjustments for municipal costs be made in formulas for state support of education. So did the Research Council of the Great Cities Program for School Improvement in its booklet, *Fiscal Policies To Meet the Needs of the Great City School Systems in America.* Municipal overburden, clearly, erodes a community's ability to support education. This problem of municipal overburden is so great that John W. Polley in his study, *Variations in Impact of Municipal Government on Ability To Support Schools,* considers the question to be more than a problem for school finance alone. Since the financing of schools and the financing of municipal services are paid for out of the same area of taxation—property—then we should look for solutions in areas other than school finance alone.

ACCESS TO WEALTH

Great cities face another problem in their struggle to support education: the problem of obtaining sufficient school funds in the presence of what is obviously great wealth. Many cities are saddled with property tax limitations. Too often, the removal of property tax limitations and debt limitations is viewed as the solution to this problem. Many authorities, including those in educational finance, advocate fiscal independence for great cities and elected rather than appointed school boards. While these developments might be desirable, they do little to obtain the necessary funds to defray the ever-mounting costs of government in great cities.

. . . Some persons have recommended metropolitan taxes—sales, income, and other local nonproperty taxes. Such taxes at local levels create more problems of support than they solve. What is needed is a radical shift in support of many governmental services from the local to the state and federal levels, leaving property exclusively to the support of education and a few other local functions.

RECOGNITION OF PROGRAM COST DIFFERENTIALS

Over the years, state governments have not seen fit to recognize instructional program cost differentials. That these cost differentials exist is plain for all to see. In a recent Great Cities Research Council study, it was found that the vocational-technical program costs 1.81 times as much and special educational programs for the handicapped cost 2.13 as much as the regular academic elementary school program.

The cost ratio and average cost per pupil by instruction areas in great cities is as follows:

Program	Cost ratio	Average cost per pupil
Kindergarten	0.49	$199.89
Elementary	1.00	408.20
Junior high	1.20	489.69
Academic high	1.34	544.97
Vocational, trade, and technical high	1.81	737.00
Special education for the handicapped	2.13	867.80

Also, great cities provide more educational programs than those associated with public elementary and secondary schools. Such programs as evening schools, adult education, Americanization programs, junior colleges, and in some instances four-year public colleges, all drain funds from the local tax base, diluting still further the communities' ability to support public education.

Moreover, not only do the great cities attract large numbers of immigrants with little or no taxable wealth, but also children whose needs can best be met only in the most expensive educational programs. Yet no state program recognizes adequately differences in units of program capacity. Present state financial plans equalize units of expenditure levels focused on equalization of units of tax burden and not on educational program capacity units. If all school districts are to be treated equitably, if all children are to receive equal educational opportunities, then state aid programs must recognize cost differentials in terms of units of program capacity.

However, failure to recognize units of program capacity cost differentials represents a minor problem compared to the state's failure to recognize municipal overburden.

RECOGNITION OF VALID SCHOOL CONSTRUCTION COSTS

In its recent paper, *The Challenge of Financing the Public Schools in Great Cities,* the Research Council of the Great Cities Program for School Improvement requested that state school construction aid be provided for all school districts and that full consideration be given to all factors which cause variations in costs for school construction.

Yet no state makes allowances for inflation, nor for differences in site costs, nor for differences in school construction costs. . . . With respect to school sites, the average cost over the past five years was $68,156 per acre in great cities compared to $3,074 per acre in other districts in the states sampled. In some instances, it costs as much to purchase a site in the central cores of our great cities as constructing the entire school does in most other districts.

. . . . . .

RECOGNITION OF QUALITY STAFF IN ADEQUATE NUMBERS

. . . Every provision of budget, of space, of materials, and of staff must be justified by what goes on in the classroom and how well each pupil learns and develops.

Yet staffing statistics indicate that great cities more than any other group of school districts suffer from inability to obtain quality teachers in sufficient numbers to meet the growing demand. Over the past decade, in Baltimore City, the number of unqualified teachers has increased from 5 percent to almost 25 percent. This same situation is true of many other great cities.

RECOGNITION OF AID TO PRIVATE SCHOOL PUPILS

. . . When coupled with the shared-cost plan for financing education, the shared-time concept has interesting and exciting possibilities for federal, state, and local support of education. Public schools in great cities are not in a position today to educate even for part of a day, all the parochial and other private school pupils without substantial increases in financial aid.

SUMMARY

In summary, financing public education in great cities requires the solution of some complex and controversial problems. Inequities in financial support, failure to recognize municipal overburden, decreasing tax bases, decreasing ability to support education, lack of access to wealth, failure to recognize program cost differentials, failure to recognize valid costs for school construction—all represent pressing problems, obstacles to be resolved.

Schools can see to it that educational policies, particularly financial support programs, promote rather than hinder equality of opportunity in our great cities as well as in our rural communities. This requires more funds than cities have access to or state legislatures are willing to appropriate. Yet how we resolve this great social problem may well prove American democracy's most crucial test. For as President Kennedy said, "Only an America which practices what it preaches about equal rights and social justice will be respected by those whose choice affects our future."

Special Problems of Suburban School Districts

In 1962, Alfred W. Beattie (5:54-55) analyzed the financial problems of suburban communities. The following excerpts summarize his conclusions:

. . . The educational and financial problems in suburban communities are acute. Taxes in suburban communities are high. The quality of education in some suburbs may be higher than in the central city, but the suburbs do not match the variety of curricula. The share of income required to amortize indebtedness and to provide transportation in suburban communities affects the quality of education. The suburbs have their dropouts, nonconformers, unchallenged, and unemployed youth. A suburban area which is a slum does not have resources to redevelop itself. Federal aid is not available because the suburb cannot provide matching funds.

Suburban communities may improve and extend educational services by combining into larger administrative units. Larger districts can provide a wider range of educational and auxiliary services. High schools in larger communities offer more courses for the same per-pupil cost. Reorganization into larger administrative units accompanied by cooperation among districts can provide solutions for many of suburbia's problems—which are not unique. At least reorganization and cooperation will increase the purchasing power of the educational dollar.

The Problems of Metropolitan Areas

R. L. Johns (6:138, 143-44) in 1963 stated principles which should govern allocation of state funds in metropolitan taxing districts. Excerpts follow:

Most of the elementary and secondary pupils in the United States now live in metropolitan areas. Metropolitan areas are defined as large cities with their satellite smaller cities and suburban areas. The metropolitan areas of the United States are growing rapidly in population and geographical boundaries. Most of them are served by a complex of local governments and school districts.

One might assume that metropolitan school districts have so many common elements that it would be relatively easy to generalize concerning fiscal policies for education in those districts, but that is not the case. Actually the metropolitan school districts in the United States vary widely in size, wealth, socioeconomic status, aspirations and goals for education, political history, local governments, control mechanisms, and cultural patterns. These differences all affect policies relating to

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educational finance. Furthermore, the structural organization of metropolitan districts, tax limits, fiscal controls, and state policies for financing education differ for metropolitan districts located in different states. These factors all affect local fiscal policy.

The principal emphasis of this paper will be on local school financing in metropolitan districts, although some attention will be given to the relationship of state to local school financing in those districts.

During the past four years the writer has served on survey staffs making studies in four metropolitan districts. These studies all related to school finance either directly or indirectly. . . .

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. . . These studies by no means include all types of metropolitan districts. Nevertheless, the recommendations presented in these studies varied widely. But there is no evidence in any of these studies that the consultants disagreed on objectives. It would seem that all would agree that equity, diversity, and prudence are legitimate objectives of district organization and financing. It would seem, however, that the respective survey staffs perhaps assigned different relative values to these three objectives. It is also possible that these survey groups gave considerable weight to the differing cultural histories of the districts involved. Did this result in each survey staff's making recommendations that disturbed the status quo as little as possible? Perhaps the different survey groups were attempting to attain the same objectives by means of different fiscal and organizational patterns.

During the past forty years major emphasis has been given to school district reorganization and financial equalization of educational opportunity. Those movements primarily promoted equity and prudence. During the last part of this forty-year period we have seen an increasing emphasis on diversity and quality education. Is this objective in conflict with equity and prudence or will the goals of equity and prudence both be advanced by permitting and even fostering the "growing edges" of light-house systems? It does not seem that these goals are necessarily contradictory but rather that the attainment of any of these goals is futile without also attaining the other goals.

Much more research needs to be directed toward a balanced attainment of the goals of equity, diversity, and prudence. Already we have made some progress in the development of state foundation programs that assure an acceptable minimum foundation program of education for the pupils in all districts but also provide higher level foundation programs for school districts with higher educational aspirations if those districts are willing to make a higher local tax effort in proportion to ability. Examples of such programs are found in the states of Rhode Island and Wisconsin.

We are beginning also in some states to make greater use of the potential of intermediate districts. This is particularly important in those states culturally committed to relatively small school districts. However, the potentiality of the intermediate school district is still largely unexploited.

In some large school systems, principals are permitted and encouraged to experiment with diversity in programs. Unfortunately, this is not common practice, but it has great potential.

In conclusion, no attempt has been made to present a comprehensive review of the problems of financing metropolitan districts. For example, attention could have been directed to the decline of the socioeconomic level and probably the educational aspiration level of the heart cities in the great metropolitan areas. Furthermore, the concentration of the population in metropolitan areas generates the need for many governmental services in addition to schools, and this results in high local taxes. The schools in metropolitan areas are in keen competition with other local governmental services for the local tax dollar. Local governments including schools are largely financed by property taxes, and the higher property taxes go, the more inequitable the tax load. Since nonproperty taxes can be administered more efficiently in most cases by state governments or the federal government, state and federal financing are likely to become more significant in the financing of schools in metropolitan areas. Fiscal controls, tax and debt limits, and the administration of the property tax also affect the financing of schools in metropolitan areas as well as in other areas.

These problems and many others will have to be solved before we can attain the objectives of equity, diversity, and prudence in school organization and finance.

Financial Problems of Rural Schools

Alvin E. Rhodes at the 1962 Conference (7:61-63, 65-66) dealt with the changing environment of rural school districts and resulting financial problems. Excerpts follow:

THE CONSTANTS AND VARIABLES OF EDUCATION

[When considering educational changes in the new rural society], a major point should first be made. It is this: In any consideration of change in education, be it rural, urban, or other, we must be careful not to confuse the variables with the constants.

It is the constants that provide the broad common denominators in American education—for example, the need to prepare a citizenry capable of self-government in a political democracy, the need to develop each person to his maximum in order that he may enjoy the opportunities of a free society and contribute his best to that society. Such basic aims are the constants in our system of free public education.

But the variables are just as important. If the constants are to be well achieved, the *form* of education must be suited to the circumstances. Schools must be adapted to the communities they serve. Education must be flexible enough to meet the needs of people in their endless variations of living. There must be responsiveness to change if the constants are to be served in terms of the realities of any given situation. But it must always be remembered that the variables are quite different from the constants, with which they are sometimes confused.

I make this point in order that, as we turn to view changes in rural education, we shall see these changes in proper perspective. Any changes that are occurring in respect to the constants are, or should be, occurring in all of American education—rural, urban, and suburban alike. The changes in the variables are the result of a changing rural society and economy and should be particularly characteristic of rural schools if they are to serve the constants effectively.

Rural education really is no different from education generally in respect to the constants, but it is quite different in respect to many of the variables—

and it should be, if it is to do its job well.

If we believe that rural schools should have unique characteristics in form, yet should be expected to achieve effective results in respect to the broad objectives of education, it follows that we must all be responsible for making things happen much more effectively in some rural schools than has been true in the past, for not all such schools have kept in tune with the times as well as they should. Some rural schools are not fulfilling their obligations in respect to the constants as effectively as must be expected of them. It is in light of these expectations that we turn now to see what the changing times have brought to rural education.

THE CHANGING RURAL SCHOOL

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. . . In many parts of the country, rural schools have found ways to extend the instructional program well beyond the 3 R's to a scope that compares favorably with the offerings of schools anywhere. They have demonstrated that it can be done in rural areas. Teachers are better trained and have better facilities with which to work. School libraries are becoming more adequate, and instructional films and other audio-visual aids are used much more extensively. Guidance, psychological, and school health services are found more frequently. Special educational programs for physically and mentally handicapped children are more common, and more attention is being given to the needs of special groups such as the migrants. Vocational education and adult education are receiving more attention, and there are some good beginnings in special services for those who are academically gifted.

ORGANIZATION AND ADMINISTRATION OF RURAL SCHOOLS

Much of this advance has been made possible by improvements in the organization and administration of rural schools. This was an essential prelude to improvements in program and services, and must continue to be so in the future, for the little rural school and its small independent school district, as we have known them in the past, have neither the financial strength nor the functional ability to develop or support the full spectrum of services essential to a modern program of education. If the constants of education are to be served as America requires, there must be further change in rural school district organization and administrative structure.

SCHOOL DISTRICT REORGANIZATION

Throughout the United States, tremendous changes are taking place in respect to school district organization. In state after state, school districts are being consolidated into units that are more capable of supporting and operating educational programs of high quality.

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. . . Much work remains to be done in the further improvement of district organization, but the progress thus far has been tremendous.

THE INTERMEDIATE UNIT

Comparable changes are occurring in the administrative structure of rural education. One of these—the development of the intermediate unit of school administration—is worthy of particular note because it is of considerable magnitude, it is a logical concomitant to district reorganization, and it holds particular promise for bringing quality education at reasonable cost to rural areas in which even the best district organization will not meet all the needs.

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IMPLICATIONS FOR SCHOOL FINANCING

. . . The points that I have been making suggest important financial considerations. . . .

EQUALIZATION

. . . Much more should be done in applying the principle of equalization to the financing of public schools throughout rural America. Adequate apportionment of funds from the state level for basic school support supplemented by federal assistance, is a primary requirement.

Also, much can be done through the further reorganization of school districts, for larger units of school administration mean better equalization of the tax base within each district. The intermediate unit of school administration, while it is not a financing agency, does provide an element of equalization in the form of shared services. This is most effective in equalization when funds received from the state or from a broad taxing base are converted into services which are extended to local districts on the basis of need. There are many methods by which the principle of equalization may be applied more effectively in the financing of our rural schools.

TAX SOURCES

My own experience suggests another problem of school financing that is of particular concern in rural areas. This is the problem of making equitable use of the various sources of tax revenue in supporting the public schools. . . .

RURAL EDUCATION CONCERNS EVERYONE

Rural education, no less than all of American education, is everybody's business. . . .

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Rural schools and the society they serve have many needs. They need a broader contact with all of American society. They need a better quality of education. They need the kind of support that will make such quality possible. While we may be encouraged with progress that is being made toward meeting these needs, it has not gone far enough nor fast enough.

Leslie L. Chisholm (8:72-75) at the 1964 Conference continued the analysis of the needs of small schools and offered suggestions for meeting them.

An educational program for the small schools involves seven considerations. First, every child has the right to a continuous program of education from the kindergarten through at least twelfth but preferably the fourteenth grade.

Second, there should be effective teaching of the traditional skills such as reading, writing, spelling, language arts, and arithmetic, supplemented with a rich program dealing with the social, economic, scientific, and political life in America and throughout the world today.

Third, there is the world of work. Traditionally, vocational training for boys and girls in the small communities has been confined largely to agriculture and home economics. For numerous reasons, this is woefully inadequate. . . .

Fourth, there needs to be a comprehensive program of special education to meet the needs of many groups. Among these groups are the mentally retarded, the physically handicapped, the gifted children, and those with limited vision. . . .

Fifth, the children and youth in the small communities, like those in all other communities, have a need for and a right to adequate guidance and counseling services. Without these services even if the curriculum offerings are available, large numbers of pupils will not be able through their own effort to avail themselves of much that the school has to offer them.

Sixth, a carefully planned program of pupil transportation is essential in the small schools. Transportation is the means whereby many children now in schools that can never provide an adequate program may attend properly reorganized schools with adequate opportunities.

Finally, the boys and girls in the small communities need adequate school buildings and grounds, with proper equipment. The usual plan of merely adding a science laboratory, a shop and some machinery, and perhaps a few general classrooms will not meet the need. . . .

School district reorganization is in many cases the only feasible way to provide the educational opportunities needed today. . . .

A voice in school finance leadership is important to the small schools. . . .

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A revision of the formulas for school support may be necessary in order to ensure a coordinated school finance program for the whole state as a replacement for the various and frequently unrelated, patch-work school support provisions too often found.

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Appropriate intermediate units should be organized and properly financed in order to provide those special services which cannot be provided economically by properly reorganized local school districts. . . .

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The small schools need to develop a comprehensive, consistent program of public relations tuned to school finance needs. . . . The aim in this program should be to develop in the people of the state, as well as in the legislators, a functional understanding of the school finance program being proposed and the nature of the results that would be achieved under the proposed program.

By way of summary, it could be said that the aim in financing the small schools should be not merely to get more money to support their present program, inadequate and ineffective though such support frequently is, but to provide a program of education of sufficient scope and depth to meet the changing needs of society. The leaders for the small schools, as well as leaders for all schools, should work for a program of school support that will enable the nation to move toward the goal of a high quality of education for all children.

New Areas of Educational Service

The Junior or Community College

Although the two-year junior college first made its appearance after the turn of the century, its growth was slow until recent decades. It is rapidly being established as an integral part of state systems of education.

At the 1964 Conference of the Committee, Howard A. Campion (9:76-82) *outlined the purposes, provisions for control, and arrangements for financing junior colleges.*

The two-year public junior college, variously referred to as community college, regional college, or city college, is a relatively new institution. At the turn of the century there was not a single institution of this type in existence. Between the high school and the four-year college there existed a large area of educational need that was not served by either. The restricted pattern of higher education, the selective policies of admission, and the economic problem of attending the then existing colleges and universities made it difficult or impossible for many high school graduates to secure further education. So America invented a new institution designed to extend educational opportunities to an increasing segment of the population, and to provide an "open door" to post-high school learning.

The first public junior college was established at Joliet, Illinois, in 1901; today there are about 450 public two-year colleges, and the number grows each month. Of the 90 new institutions of higher learning established in the United States in the past five years, 69 were two-year community colleges.

PURPOSES OF THE JUNIOR COLLEGE

The basic aim of the junior college is to bring post-high school education within commuting distance of everyone, at a cost that will not discriminate against those in lower economic levels. This immediately demands a broad diversification of offerings to meet the varied needs, interests, and abilities of this enlarged segment of the population; and this in turn requires a broader concept of student personnel services.

The following are usually accepted as the basic purposes or functions of the junior college:

- An adequate program of counseling and guidance that will recognize the existence of *kinds* of ability as well as *degrees* of ability
- Lower-division (transfer) college programs for those students who plan to continue their education beyond that offered by the two-year college
- Occupational education for those students who will seek employment upon completion of their junior college program (two years or less)
- General education in order that every student may function more effectively as an individual and as a member of his family, his community, his state, his nation, and his world
- Continuing education for those persons who have left the full-time school, and who need additional general or technical education to meet the daily problems of a changing world
- Remedial or "maintenance and repair" education for those who, for many reasons, may be deficient in prerequisites of the college. (How much of such remedial instruction should be attempted by the junior college is still a moot question having implications for the following discussion of financial support.)

ORGANIZATION AND CONTROL

The control of junior colleges follows no single pattern. . . .

Although seven states have set up completely *state* controlled junior colleges, *local control* is emerging as the most common organizational pattern.

The unified district is still the pattern of local control most often followed. In this structure the same local board of trustees is responsible for both the junior college and the lower schools.

From this type of organization emerge some of the most critical financial problems faced by the junior college. Since all local tax monies go into the common funds of the unified district, the junior college finds itself in competition with the high schools and the elementary schools for a share of the common fund.

The independent junior college district, a second organizational pattern under local control, has shown the greatest increase in numbers during the past decade. Such a district may be on a county basis, as in Florida and Arizona, or it may be any appropriate territory decided upon by the voters (with the approval of a state agency), as in Idaho, Texas, or California. The independent junior college district has its own governing board and the authority to establish its own budget, tax rates, etc.

State junior colleges have been set up by seven states. There are two general types. The junior college may be operated as a branch of an existing university or college, as in Ohio, West Virginia, and Alaska. Hawaii has a proposal before the current session of the state legislature to establish branches of the University of Hawaii as junior colleges throughout the islands. This same proposal would provide for bringing into Hawaii's junior college system the existing technical institutes and vocational schools now operated by the State Department of Education. If this is done, the junior colleges and the technical schools would come under the aegis of the state university. (This writer has some reservations regarding the effectiveness of such a plan.)

The second type is operated by the state, either under a special "Board of Regional Community Colleges," as in Massachusetts, or under a "State Board of Trustees of State Colleges," as in Rhode Island.

There are many combinations and variations of these patterns of organization; and even some unique setups such as that in Wisconsin, where the legislature recently granted authority to the local "schools of adult and vocational education" to grant the associate-in-arts degree, thus bringing them into the junior college family.

It would appear that the most common characteristic of junior college organizations is that they are all different! . . . this wide variation in form gives rise to equally diversified problems of finance.

FINANCIAL SUPPORT

Funds for the operation and construction of junior colleges now come from several sources—state aid, local taxation, federal subventions or grants, tuition, fees, and gifts or grants from nongovernmental foundations and organizations.

STATE AID

S. V. Martorana [1] makes the following summary:

> Overwhelmingly, state aid is determined by means of a formula, generally based on a unit of student attendance. The formulas vary widely, however; Maryland, New Jersey, and New York, for example, set state aid at one-third of the annual operating cost per student. Illinois and Missouri use an equivalent full-time student factor based on credit hours carried by the students enrolled in the college. California, Florida, and Washington have complicated formulae based on minimum foundation principles.

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[1] Martorana, S. V. "The Legal Status of American Public Junior Colleges." *American Junior Colleges.* Sixth edition, (Edited by Edmund J. Gleazer and Alice M. Carroll.) Washington, D.C.: American Council on Education, 1963. Chapter 4, p. 39.

Five states provide funds through the simple procedure of lump-sum appropriations. As a general rule this is mandated to a state-level agency for distribution to the junior colleges. Although this approach is simple, it is usually less favored by junior colleges because generally it is less objective than the formula approach.

The amount of state aid varies to an equal extent. Five states grant no state aid to junior colleges. Four states furnish all the funds (except those accruing from tuition) necessary for the current operation of the colleges, and between these two extremes the practice varies from two-thirds of the cost to a small token amount. . . .

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. . . state aid for junior colleges usually comes from the general fund of the state, . . .

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. . . the state dollar comes in large part from sources that are not available to local taxing districts. . . .

LOCAL SUPPORT

Except in [a] few states . . . local school districts—either unified or separate junior college districts—have been given the authority to levy a tax on the real and personal property in the district. There is wide concern about the extent to which local property can be further taxed to support another segment of education. This question becomes even more controversial when we declare that the junior colleges are part of higher education, and no other segment of higher education is supported even in part by local property taxes.[3]

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TUITION

Here is the most controversial issue of all. Can we afford to offer free higher education to all comers? Many states think we can. If a material portion of the costs of junior colleges is paid by students in the form of tuition, then we have done bodily harm to the "open door" concept of this level of education. If we move in the direction of higher tuition, we must at the same time move toward greater availability of scholarships from both public and private funds, in order that we do not shut out capable students because of their economic status.

FEDERAL AID

Junior colleges are very much in the picture for increased federal aid, both for operating expenses and for capital outlays. . . .

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FOUNDATION AND OTHER NONGOVERNMENTAL FUNDS

The junior colleges are not research centers and should not seek foundation grants for pure research. Each community college must, however, conduct institutional research and curriculum development and revision. For these purposes, business, industry, and some of the foundations have made funds available. This is still a minor source of support but it will undoubtedly increase as the need increases for technicians, vocational nurses, semiprofessional workers, and others who can best be trained in this type of institution.

CAPITAL EXPENDITURES

Here again we find no common pattern of providing the funds necessary for the construction of buildings and the purchase of equipment for junior colleges. About half of the states operating community colleges provide some state aid for physical facilities. . . .

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[3] National Education Association, Committee on Educational Finance. *Long-Range Planning in School Finance.* Washington, D.C.: the Association, 1963. pp. 94-95.

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SOME CURRENT ISSUES IN THE FINANCING OF JUNIOR COLLEGES

The financial patterns of the community college are of many forms and shapes. As experiment gradually demonstrates which forms are most likely to survive, the following issues will emerge:

- Is the junior college a state or a local institution? Should it be supported in large part by state funds, as the public university is, or in large part by local funds, as is the high school?
- Should the junior college accept all comers? Should it attempt to be all things to all people?
- If the junior college is to serve a large part of the spectrum of human aptitudes and abilities, how can we assure the funds necessary to provide an adequate pupil personnel program (counseling) for an unselected population?
- Should new sources of funds be made available to local junior college districts? If so, of what nature? A local sales tax, an income tax?
- If the answer to the above is in the negative, how far can we go in state support without getting state control? 30 percent, 40 percent, 60 percent?
- If the junior college is part of higher education, how much of the capital outlays should be borne by the state? The same as state colleges or state universities? Or some other proportion?
- How much tuition can be charged without destroying the democratic philosophy of this institution?
- Should out-of-district and out-of-state tuition be of such amount as to cover the total cost of instruction? And of the use of facilities?
- Is there a need for a coordinating agency that will determine or recommend the level of state financial support for all higher education—universities, state colleges, technical institutions, junior colleges? How can we avoid devastating competition for the public dollar as all segments of education increase in size and cost?
- How do the constitutional restrictions upon local taxing and borrowing affect the flexibility of local support?
- What will be the effect on the instructional program where state aid for adult education in the junior college is at a rate different from that granted for adult education at the high school level?

Sharing the insights gained through experience will hasten the finding of satisfactory answers to these questions.

James T. Campbell (10:96-97) at the 1962 Conference described the Florida plan for financing junior colleges. Excerpts follow:

Florida is one of a small number of states which include community junior colleges in a Minimum Foundation Program. Basically, the financial provisions for junior colleges in Florida are the same as for any other phase of the Minimum Foundation Program; that is, junior college instruction units are computed for inclusion in the program. County school systems, however, are required to make a 5 percent higher contribution to the Minimum Foundation Program if they operate junior colleges, and somewhat different formulas are used in computing junior college instruction units. Furthermore, the Florida Legislature has accepted the responsibility of providing buildings by direct capital outlay appropriations for the junior colleges. Some part of the costs of operation are met by student fees.

Financing junior colleges raises in acute form the widespread problem of having a sufficiently large base for the operation of an educational system. Our county unit school system means that most of our local school administrative units are adequate, or more than adequate, in size to support and administer the regular educational program. However, many counties cannot justify a junior college for themselves alone.

Accordingly, provision is made for a number of smaller counties to participate together in supporting a junior college. Some other states, of course, provide for creating junior college districts, superimposed on regular public school districts. Another possible plan is to make junior colleges part of the state system of higher education financed largely or exclusively by state appropriations.

Legal Provisions for Summer Schools

Madaline Kinter Remmlein (11:4-7) conducted for the Committee on Educational Finance a special study on state legal authorizations for summer schools. In the foreword Erick L. Lindman stated:

The Committee on Educational Finance has long believed that the summer school is the great underdeveloped resource of American education. Although progress is being made in the utilization of this resource, in too many communities we have idle pupils, idle buildings, and highly qualified teachers seeking nonteaching jobs for the summer months. For a nation dedicated to improving the quality of its educational program, the logic of effective use of summer schools is compelling.

Several different types of summer schools have developed. Traditionally, summer school programs provide an opportunity for make-up and remedial work. Acceleration and enrichment of the regular school program are the purposes of many of the new programs. Full utilization of summer schools is obviously impeded by lack of funds for support of the program in some states, and a questionable legal authority to conduct summer schools in others.

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If the summer school is to develop to its maximum potential, basic questions in regard to its authorization and financial support must be resolved. Should the summer school be free or almost free to pupils enrolled? Should state funds be available for its support? Should the expenditure of local funds be authorized? Or, considering that state and local budgets are already hard pressed to support the 9- or 10-month regular school year, should the school systems, the local education association, and the united profession seek federal aid for the support of the summer school program?

Policy determination in this area has been hampered by the lack of information on the present status of summer school and its financial problems. To partially fill this gap, the Committee on Educational Finance engaged Madaline K. Remmlein, a noted authority on school law, to conduct an investigation of the legal authority for the operation and financing of summer schools. Dr. Remmlein searched the statutes of the 50 states for the general and special legal authorization, and then asked state departments to verify or revise her findings.

The following are excerpts from the report:

In recent years the number of summer schools has increased greatly and their objectives have broadened. In addition to remedial programs, summer sessions enable gifted children to accelerate their education; many children are given the opportunity to take courses for which they do not have time (or which are not offered) during the regular school term.

Though the main purpose of summer schools is not to reduce costs, several writers on the subject have pointed out the financial savings accruing to the state and the school system through remedial and accelerated programs in summer schools.

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. . . This report consists chiefly of a state-by-state summary of statutory provisions, departmental regulations, attorneys general opinions, and a few interpretations of state departments of education.

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Only 17 states have enacted specific statutory authorization for summer schools and this number includes two where the authorization, though specific, is indirect. Also included is Utah where the authorization is for kindergartens and vocational education only. The attorney general of Utah has ruled that special education and remedial classes cannot be conducted or financed in summer schools.

In 18 other states, general powers have been considered sufficient. These states have issued departmental regulations implying that the non-existence of specific statutory authorization is no bar. Five states have neither specific statute nor departmental regulations, but reported that the general powers of local systems were sufficient. One state commented that "since the statutes do not prevent the operation of summer schools, the department has maintained that local school districts may operate such programs."

In addition to New Jersey (which has other regulations also), 10 states require state departmental approval or have set up criteria. In some of these states the criteria are meager; e.g., only that the teachers must be certificated.

In 15 states there are no statutory provisions, no departmental regulations, no "brakes" whatever.

Fourteen states have provided a measure of state aid. Connecticut and Indiana will not grant state aid if tuition is charged. Local school funds may be used in 12 states and probably others. Both state and local funds are usable in California and Illinois, but a few states where local funds may be used prohibit the use of state funds.

In 16 states, school districts operate tuition-financed summer schools; in addition, some districts in Connecticut and Indiana charge tuition instead of accepting state aid. Charging tuition is prohibited in Arizona and Iowa. The Massachusetts State Department of Education reported that it has no control over the operation of summer schools; since they are completely within local control, many charge tuition though the state department has advised them that doing so is illegal.

[This study includes a state-by-state summary of statutory provisions concerning summer schools. Also, citations] to sections of the law enable readers to locate the exact language. Excerpts from departmental regulations are quoted at length with the thought that states without regulations may wish to adopt rules based on these models. As a matter of fact, correspondence with state departments of education during this survey revealed that several states have regulations in the making or now feel the need for them after having it brought to their attention that their summer schools may be operating illegally in the absence of guidance from the state department.

Other Special Services

Several previous chapters refer to new educational services or the rapid extension of older special services which increase local and state school costs. Many great cities are extending provisions for kindergarten and prekindergarten slum children both for those with English-speaking and for those with non-English-speaking backgrounds; evening schools, adult education, and Americanization programs; mentally and physically handicapped children, including the emotionally disturbed, crippled, deaf, and blind; post-high-school technical and vocational education (some communities are maintaining four-year public colleges as well as the two-year junior college); academically superior and gifted children and youth.

These and other extensions of the scope and quality of public education programs including counseling and guidance services require increased expenditures, and larger per-pupil costs than the conventional classroom of former times. Also see review of increasing demands for school funds by Erick L. Lindman in Chapter VII, pages 180-82.

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IX. Raising the Funds—The Role of the Federal Government

The promotion of federal legislation for the financing of public schools is not a function of the Committee on Educational Finance. This is a duty of another agency of the National Education Association. The Committee, however, has clearly recognized the necessity of federal support of education, if this service is to be adequately financed, and has dealt with general policy in this regard.

High Lights of Federal Action in Education

J. L. McCaskill (1:22-26) traced federal action in the financing of education from colonial times to 1963. Since his statement was prepared, highly significant new federal legislation has been enacted and other important measures have been proposed. Excerpts from the McCaskill statement follow.

Although the federal government, through early land and monetary grants to education, actually furnished the basis for the first stable support for free schools in more than half the states, no clear-cut federal policy for education has ever been established. Therefore, it cannot be assumed that general federal financial *support* of education is inevitable. It is encouraging though to see the issue of the federal role in education reappear again and again in each session of Congress and with increasing support from the general public. This is the basis of our future hope.

BRIEF HISTORICAL BACKGROUND

The development of the federal role in education can be traced to pre-federal origins and through the early days of the new nation. Here are the origins of the principle that the development of education is a local and state function. In early America, education, and its development, was a personal, parent-controlled matter, frequently linked to church affiliation. Any national system of free, public education proposed in Colonial times would have run afoul of the issue of church administration and control.

Operating within this framework, the federal role has from the beginning been a secondary one, in principle and practice following the lead of the states. The federal government therefore has failed to develop a clear-cut public policy on education.

DEVELOPMENT OF FEDERAL EDUCATION PROGRAMS

An examination of federal educational "landmarks" since 1862 suggests a federal policy geared to the promotion of special services most effectively and economically provided by educational institutions. It is as difficult to trace federal educational policies as it is to identify the number of educational programs now operated by the federal government. Former United States Commissioner of Education McMurrin, writing recently in a national magazine, noted that "a man with time on his hands can identify over 250 separate U.S. government educational operations carried on by 12 departments and 26 independent agencies." It is even more difficult to identify and appropriately catalog significant educational landmarks. Here, though, is one attempt to categorize the myriad federal educational activities:

1. Federally operated educational programs
2. General federal aids to education
3. Special federal aids to education
4. Federal education aid to special groups
5. Federal education programs for public service
6. Federal aids to education in lieu of taxes
7. Federal educational cooperation with other countries.

Even this categorization points up the confusion in the role the federal government has played in education. The need for such a widely ranging list speaks clearly to the lack of public policy for education.

FEDERALLY OPERATED EDUCATIONAL PROGRAMS

If there is anywhere a public policy for education, it is here within the confines of the federal establishment itself. Included here are the educational activities of the armed forces (Annapolis, West Point, Colorado Springs), inservice training of federal employees, and education in special federal jurisdictions.

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In-service education for federal employees was initiated in 1879 by the Bureau of Engraving and Printing with the establishment of an apprentice school for engravers. Other training schools, including graduate education, have developed in other departments.

Federally operated education programs are an established part of the federal structure. Their impact, though, is limited to those directly related to the federal establishment.

GENERAL FEDERAL AIDS TO EDUCATION

The period of general federal support to education coincides with our national origins and extends up to 1862. Highlights include the early land grants in 1785 and 1787, which endowed schools with public lands. As a condition for admittance to the Union, the Ohio Enabling Act of 1802 specified that public lands be set aside for schools. Similar provisions were later applied to other new states seeking admittance to the Union.

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SPECIAL FEDERAL AIDS TO EDUCATION

Special federal aid is the kind with which most of us are familiar. The first landmark here is the Morrill Act of

1862 and the last, the NDEA of 1958. In that span of nearly a century, there are many special federal aid to education programs. I have cut the list down to just three that are both prominent and representative.

The Morrill Act—Signed by President Lincoln, the Morrill Act was a culmination of efforts to set up a national land-grant college system. By terms of the Act, each state was granted 30,000 acres of public land (or its equivalent in script) per Congressman for the support of a college which would have as its primary purpose the teaching of "such branches of learning as are related to agriculture and mechanic arts."

Smith-Hughes Vocational Act—World War I and the attendant technological demands for defense and war created a revolution in vocational education. By 1917, technological needs to support the war effort were acute. The Smith-Hughes Act of 1917 attempted to shore up vocational education, and at the same time (we were fighting a war) further national goals. The Act provided funds for the support of vocational education in agriculture, trades and industries, and home economics, and in the training of teachers in these fields.

National Defense Education Act—Umbrella legislation might be a good term to describe the NDEA. Enacted in 1958, and later extended, the NDEA is designed to strengthen critical areas in education. Included under the umbrella are assistance for science, mathematics, foreign languages; counseling, testing, guidance; graduate fellowships; research and experimentation in modern teaching tools (TV, films, etc.); and improvement in statistical and information services.

FEDERAL EDUCATION AIDS TO SPECIAL GROUPS

We might well identify the special groups here as ex-servicemen, for this segment of our population has received major federal attention. After World War I, it was the Veteran's Vocational Rehabilitation Act in 1918. During World War II, it was the Servicemen's Readjustment Act of 1944—the "GI Bill"—which provided previously unheard-of educational benefits to individual service men and women.

FEDERAL EDUCATION PROGRAMS FOR PUBLIC SERVICE

The New Deal ushered in a rash of government programs, in the main to pump-prime the national economy. Not until the late 1930's, when defense prepartions got underway, did education receive generally direct aid. Here can be seen the beginnings of the government policy to purchase goods and services from the education community.

Then throughout the war and postwar years runs a thread of great significance, the vast federally sponsored research and development programs. Their beginnings can be found in the purchase of goods and services for the national defense. One indication of the federal government's stake in aiding special purpose research was the establishment in 1950 of the National Science Foundation as the focal government agency for science. Among the Foundation's goals is the "promotion of basic research and education in the sciences." In this whole area of research and development, the education community has since the beginning played a pivotal role in contributing to the success of vast scientific efforts.

An example of indirect aid for public service purposes is the school lunch program in 1946. Established essentially as a surplus commodities disposal program, this plan assures millions of children of at least one nutritional, balanced meal daily.

FEDERAL AIDS TO EDUCATION IN LIEU OF TAXES

Aid to education in the form of partial tax payments recognizes special, federally created situations in which there is redress only to the federal government. Again, the best example is in legislation that was war-born. The Lanham Act in 1941 responded to a war need and served as forerunner for the "impacted area" concept known in Public Laws 815 and 874 in 1950.

The initial legislation included help in vocational training, nursery schools for children of working mothers, home economics training, and aid to schools with vastly expanded enrollments. Communities hit suddenly with large federal projects could thus gain federal help for a federally-created situation. Later, when postwar defense and research activities expanded so dramatically, the guidelines were drawn for aid to "federally impacted" school districts. Channeled to the schools through Public Laws 815 and 874, such funds have played an essential role in running the public schools in impacted areas.

FEDERAL EDUCATIONAL COOPERATION WITH OTHER COUNTRIES

Cooperation with other countries in educational projects found expression with our neighbors to the south in Latin America. The Convention for the Promotion of Inter-American Cultural Relations at Buenos Aires in 1936 provided, among other things, for an exchange of graduate students between the signatory states and served as a pilot program for later, expanded educational exchange and other help programs.

A second landmark for American education is the Fulbright Act of 1946. This well-known and highly successful program continues to function as a major vehicle for international educational exchange programs.

Now, of course, the federal government is involved in hundreds of cooperative educational programs. Through its own instrumentalities, in diplomatic relations with foreign nations and through the United Nations and other international organizations, the federal government plays a major role in educational programs.

NATIONAL POLICY, BASIC NEED

The foregoing discussion shows clearly that *there is no over-all federal policy* with regard to education and *no clear concept of the federal role in educational affairs.* A national policy for education out of which would come the necessary definition of the federal government's role in education is the basic and fundamental need now. Discussion and debate on the issues blocking federal aid proposals seem futile until this basic issue is resolved. Certainly the Congress will not act in a substantial way until the policy issue is settled conclusively.

The Weak Link in the Chain of School Support

That the federal government has supplied only a small fraction of public school support is well known. The effect of this imbalance in securing adequate support for public education has been pointed out in Committee publications.

In 1959 (2:57-58) a study of the Committee included the following quotations from a citizen group:

In the past, Americans have preferred to accomplish the financing of public education, like the financing of most nondefense public facilities and services, at the state and local level. But state and local tax systems are in some respects archaic and it is very difficult to keep the revenues from this source growing in step with the economy or with the growing demand for governmental services which an expanding economy creates. This is due partly to the excessive dependence of state and local revenues—particularly the latter—upon the real property tax, which is notably laggard in its response to rising income. And it is due partly to the fact that state and local governments are reluctant to extend or expand their taxing systems for fear of placing their communities or states at a competitive disadvantage relative to other areas.

It is this weakness in the state and local taxing systems more than anything else that gives rise to current proposals for increased federal support of education. For those who wish to resist or postpone the resort to federal funds and at the same time not constrict educational services there seems to be only one alternative: a thorough, painful, politically courageous overhaul of state and local tax systems.[12]

. . . It is certain that they [federal programs in education] will increase both in scale and in variety. It is a stark fact that there are educational problems gravely affecting the national interest which may be soluble only through federal action.[13]

In 1960 a publication (3:53-55) of the Committee further dealt with the stronger fiscal power of the federal government as compared with the state and local governments.

The primary reason why public education has operated on a relatively low level of financial support in recent decades is that most of its revenue comes from that level of government—the locality—which is weakest in ability to raise tax revenue. Most of the remainder of school support comes from the state, which is second in taxing ability. Only a pittance of public-school money comes from the federal government, which is by far the most effective source of tax revenue (Figure 30).

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The percentage of school revenue coming from the three levels of government is inversely related to their revenue-raising ability.

THE ROOT OF THE LAG IN FINANCING SCHOOLS

Some contend that there would be no gain from increasing the portion of school revenue from the federal government. They ask: Does not all revenue come from the same source, the pockets of the people? Why send it to Washington and then back? These questions disregard the key issue. The relevant factor is that when Congress sees a need for revenue, it is not plagued by the fears that beset state legislatures and local fiscal bodies. State and local governments cannot consider need for revenue solely on the basis of the value of the public undertaking involved. Rather, they hesitate to extend their taxing systems for fear

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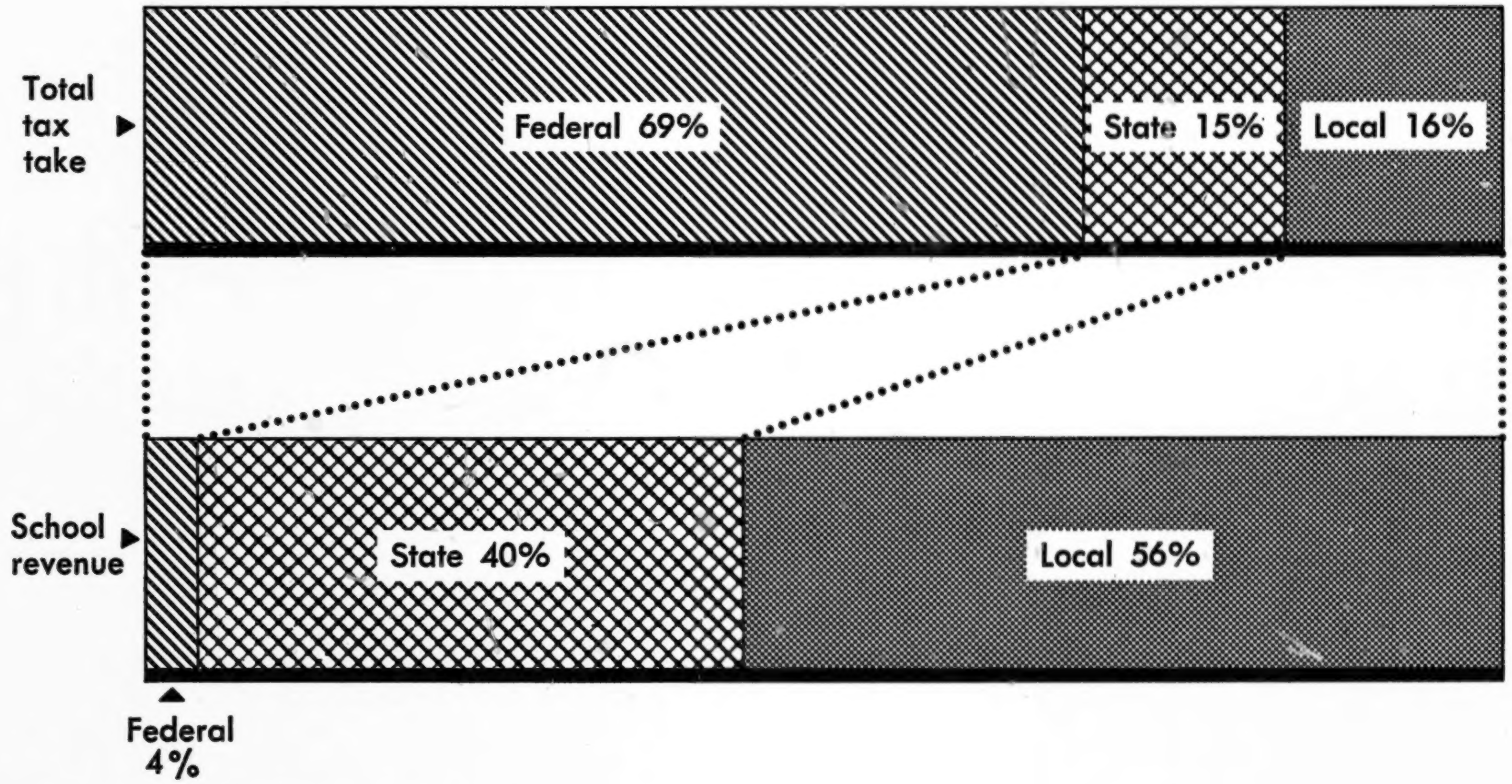
[12] Rockefeller Brothers Fund. *The Pursuit of Excellence—Education, and the Future of America.* Panel Report V of the Special Studies Project. Garden City, N.Y.: Doubleday and Co., 1958. p. 34-35. Copyright © 1958 by Rockefeller Brothers Fund, Inc. Reprinted with permission of Doubleday and Co., Inc.

[13] *Ibid.*, p. 35. Copyright © 1958 by Rockefeller Brothers Fund, Inc. Reprinted with permission of Doubleday and Co., Inc.

Fig. 30

FEDERAL, STATE, AND LOCAL SHARE OF SCHOOL REVENUE COMPARED WITH SHARE OF TOTAL TAX TAKE, 1957-58



Reference 14, p. 15; reference 25, p. 13.

of placing their communities or states at a competitive disadvantage relative to other areas, even when the funds are for an undertaking as productive as good schools.

This fear is exploited to the full by powerful minorities in the states which are far more interested in tax cuts than in adequate education for all.

CORRECTING AN IMBALANCE

Adequate investment in public education in the United States requires federal funds to supplement those funds which it is feasible to raise at the state and local levels. The alternative is to fail to make full use of education in developing our human resources.

Factors Blocking Adequate Federal Support

Byron L. Johnson (4:28-33) analyzed four factors which have resulted in failure to secure adequate federal aid for education.

THE HISTORICAL BACKGROUND OF FAILURE

The historical background of *failure* to secure federal aid to education is less well known. It is a tragedy for the several generations of school children whose opportunities have been permanently stunted by these failures. . . .

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WHY HAVE WE FAILED?

From a fairly intimate knowledge of this problem, gained along the way, I have identified at least four separate contests which rage simultaneously across every effort to secure such aid, among those who otherwise claim to support federal aid.

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. . . What are the basic reasons for failure? . . .

First is the rural/urban conflict, or *intra-state* equalization. For a long period, indeed for much of human history, the rural area has viewed the city as the center of wealth, power, and sometimes, corruption. The rural area has usually viewed itself as poor but honest—a poverty-stricken area, exploited by the city. Every state has lived with the ensuing political contests.

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The second contest is *inter*-state equalization. A different, but related, fight has been over the economics of equalization between the states, in addition to the fight within states. If federal aid were to be given in proportion to federal tax collections within each state (as some propose), this would simply substitute federal tax collection machinery for state and local machinery, but this would not equalize the opportunities for children between rich and poor states. Most educators and many politicians would agree that one purpose of federal aid is equalization.

Some of the earlier proposed equalization formulas would have been applied fairly to those states which lie below the national average in income, but not to those above it. Since at least 30 states can usually be found below the national average, it is fairly easy to get a Senate majority for such a bill. For example, Senator Taft had such bills approved by the Senate and sent to the House. But the majority of the House members are from the more populous states, and enough of these members have opposed such equalization that they, together with other opponents, could easily kill such bills in committee.

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. . . the two remaining issues cut much deeper. They relate to two R's of education that are not found among the classical 3 R's. I refer, of course, to race and religion.

The race issue is desegregation. Until 1954, federal aid to education was subject to the contest between those who were content to wear the fig leaf of Supreme Court sanction of "separate but equal" school systems, as against those who wanted to clothe the education of minority children with the same dignity accorded other children. Also, the latter wanted federal aid to be the vehicle for changing the patterns of culture in at least 17 states and the District of Columbia. But since the Supreme Court decision in 1954, the Constitution, which is the supreme law of the land, has been interpreted to favor desegregation or integration in the public schools. Far from removing the political difficulties, this has simply made both sides more determined. . . .

[Another] issue is whether any federal aid should be given on any terms to any but public schools. . . .

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Provincialism, selfishness, prejudice, and bigotry are all ugly words. But the denial of full educational opportunity to tens of millions of American children who have dropped out of inadequate schools, or who have graduated only half trained from poor schools, during the years while these tragic battles have raged, is also ugly—an ugly fact.

No one in this history of tragedy is without—in theological terms—sin. On every side there have been those who said bitterly, "My way or nothing." And the *nothing* has been the result.

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MOVING FORWARD

The legislative process depends upon our capacity for achieving consensus.

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The job that faces all of us who believe that *more* should be done to increase that consensus is to surmount the barriers of provincialism, selfishness, prejudice, and bigotry, *even in ourselves.* And specifically, our long-range planning for federal aid must include vigorous work for honest reapportionment, for civil rights generally and especially for voting rights, for increased religious tolerance, and for a renewed respect for our historic system of separation of church and state, which has actually strengthened all faiths in the United States and preserved the integrity of each.

At the same time, our long-range planning requires a program for continuous public reminder of the basic economics of school finance, and a growing awareness of the limits of state and local tax powers as against federal tax powers. Until we have done these things, the only area of agreement may continue to be that on which we have agreed the past 27 years—which is an agreement *not* to have more general federal aid to elementary and secondary education.

Impact of Federal Funds on Public School Finance

The total amount of federal funds for the support of public schools is relatively small. The impact of these funds, however, on state and local school finance is substantial. A study by Francis G. Cornell (5:49-51, 56-60) illustrated this fact. Excerpts follow.

. . . Correspondence with all of the states in the continental United States sought information bearing on the impact of federal funds on state public school finance systems. Since responses indicated that most adaptation of state practices is related to aid to federally impacted areas, particularly P. L. 874, an intensive analysis was made of this type of aid.

NATURE OF AID TO IMPACTED AREAS UNDER P.L. 874

It is not necessary to describe all the types of financial assistance under this Act, except to mention that the major amount of funds allocated under P.L. 874 is under subsection 3(c)(1).[2] Other sections of P.L. 874 are in the nature of equalization grants and are termed "budget balancing" provisions which require funds to be granted at the discretion of the U.S. Commissioner of Education contingent upon a local district's making reasonable local effort and utilizing all available sources of funds, including state and federal. By the very nature of these provisions there is no encouragement for modification of state aid in any manner. As a matter of fact, opinion has been rendered by the general counsel of the Department of Health, Education and Welfare in one case to the effect that receipts of federal funds by local school districts under these "budget balancing" sections cannot be deducted in the payment of state aid if the districts are to continue their eligibility.

The matter is entirely different, however, with subsection 3(c)(1), which covers costs of children whose parents live *and* work on federal property and children whose parents either live *or* work on federal property. The amount allocated to a school district is computed by the number of children in the first category, plus one-half the number of children in the second category, times what is termed the "local contribution rate." The local contribution rate is that amount which, in the second preceding year, is the current expenditure per pupil made from *local* revenues for elementary and secondary education in the districts in the state which are "generally comparable," but not less than one-half the state average or one-half the national average, but not greater than the state average. The major allocation under this Act, therefore, to local districts is independent of amounts of state aid received or the manner in which the states distribute state funds to local districts.

PERTINENT CHARACTERISTICS OF STATE AID SYSTEMS

Obviously the effect of P.L. 874 on the state school finance system depends upon the nature of the state system. . . .

The chief characteristics of a state school finance system which evidently relate to how it is to accommodate federal funds follow:

1. *The level of state support.* If the proportion of the total cost of education from state sources is minor, the support pattern is dependent almost entirely upon variations in local taxpaying ability and is hence *random.* . . .

2. *The degree to which state aid is allocated on an equalization basis.* The very nature of equalization aid is such that some measure of local financial resources is required. In its simplest terms, equalization aid is aid distributed in such a way that less able local units receive relatively more state money than more able local units. Here there is the real question of the degree to which federal funds augment local

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[2] U.S. Office of Education. *Administration of Public Laws 874 and 815.* Tenth annual Report of the Commissioner of Education. Washington, D.C.: U.S. Government Printing Office, 1961. 179 p.

resources in a manner requiring recognition in the formula for distributing state equalization aid.

3. *Presence of reward for effort.* The equalization provisions in some states are in the form of "equalized-percentage grants." Recently, additional states have considered this form of state aid. This plan provides for state support of a percentage of the cost of a local program—the percentage varying with local ability so that the lower the local financial resources, the greater the proportion of state support. Reward for effort operates in this plan, since the greater the local support, the greater the local expenditure and the greater the state share. The problem with this scheme is to avoid "rewarding" local units for funds contributed by the federal government, on the one hand, and penalizing such local units for receiving federal funds on the other.

METHODS OF ACCOMMODATING P.L. 874

Most states ignore, in their state finance systems, P.L. 874. That is to say, there is no change made in the apportionment of state funds in a majority of states on account of P.L. 874 allocations. None of the states with small amounts of general-purpose state grants, none of the states chiefly with flat grants in substantial amounts, and only one state which depends primarily on special-purpose grants, adjusts its state aid allocations on account of P.L. 874.

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LOCAL EFFECTS OF P.L. 874 PAYMENTS

Unlike funds for partial payment of specific educational functions such as vocational classes, school lunch, or the teaching of science, P.L. 874 payments are general grants in the sense that they are merged with state and local revenues for use in support of total current expense budgets. They thus are not expected to have impact on specific aspects of the educational operation. Their impact can be identified and observed only in fiscal terms—in the degree to which they "relieve financial burden" either by augmenting other sources of support or by reducing excessive state or local support where this exists.

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U.S. OFFICE OF EDUCATION STUDY

An unpublished study conducted by the U.S. Office of Education staff in 1956 examined the question of whether school districts receiving federal assistance under P.L. 874 tended to lessen local fiscal effort and to shift responsibility to the federal government. School districts included in the study were those which had 5 percent or more of total current expenditures in 1954 paid through federal funds. Of 536 school districts, 309 were selected for this study.

The period 1950-54 was used. Data for these districts on average daily attendance, current expenditures, revenue receipts from all sources, assessed valuation, and school tax rates for current expenditures were compared with similar data from a sample of small and medium-sized cities.

Results indicated that during the five-year period 1950-54, federally aided districts on the whole:

1. Had a greater proportionate increase than other districts in average daily attendance

2. Increased their current expenditure per pupil
3. Received three-fourths of their revenue gain from state and local sources
4. Increased their assessed valuation and maintained or increased their tax rates.

In the Office of Education study there was no distinction made as to how P.L. 874 funds were incorporated into state aid systems. Moreover, the total amount of annual payments under P.L. 874 have greatly increased since 1955. For these reasons a pilot study which would show possible effects on local finances under known conditions for recent years was conducted for the present report.

A NEW YORK STATE CASE STUDY

A simple analysis can be made in states which do not shift the state burden. Most states do not modify state aid payments so as to shift all or part of the burden onto federal receipts. New York State is one of these. It was chosen for purposes of a case study on fiscal impact, since this impact is local and not directly related to the state support picture.

Two measures of change in local tax effort were computed for the 75 New York State school districts which received P.L. 874 funds over the six-year period, 1955-56 through 1960-61. These measures were as follows:

1. *Tax rate change*—The difference between a district's 1960-61 percentile rank among all districts in the state and its percentile rank in 1955-56.

2. *Tax levy change*—The percentage of change in local tax levy per pupil in weighted average daily attendance in a district from 1955-56 to 1960-61. The first measure shows change in tax rate *relative to changes in all districts* in the state, and the second measure shows change in amounts of revenue raised locally *relative to the expenditure level at which the district was in 1955-56.*

Comparative standing on local tax effort. Of the 75 districts, 32 increased in *tax rate* percentiles and 43 decreased in their relative standing among districts in the state. The median difference is not significantly different from zero, meaning that these districts, on the average, had tax rate changes over the period about the same as those for other districts in the state.

During the 1955-56 to 1960-61 period, the *tax levy* per pupil in major upstate New York school districts increased by 35 percent. Only about a third (26 of the 75) of the federally affected districts increased their levies by this percentage or more during the period. Forty-nine of the 75 districts increased local levies by less than this percentage during the six-year period.

TABLE 4.—RANK DIFFERENCE CORRELATIONS OF TWO LOCAL EFFORT MEASURES WITH SIX VARIABLES, 75 NEW YORK STATE SCHOOL DISTRICTS

Variable	Correlation with effort change	
	Tax rate	Tax levy
1. Tax rate percentile, 1955-56	−.19	−.62[b]
2. Current expense per pupil, 1960-61	.28[a]	−.09
3. Tax levy per pupil, 1960-61	.37[b]	.03
4. Valuation of property per pupil 1960-61	.25[a]	.24[a]
5. Percent current expense from P.L 874, 1960-61	.13	.38[b]
6. Tax rate equivalent of P.L. 874 aid, 1960-61	.03	.24[a]

[a] Significant at 5 percent level.
[b] Significant at 1 percent level.

On the face of it, therefore, it would appear that the P.L. 874 districts on this second measure did not maintain a local effort comparable to that of other districts in the state.

Elements related to maintaining local effort. Additional measures on the 75 districts help explain possible characteristics of them which would explain their behavior over the period in *tax rate* or *tax levy* change. Six of these are shown in Table 4 with their respective rank difference correlations with the two measures of change in effort.

This table shows that, among P.L. 874 districts:

1. Districts reducing relative tax effort were districts higher in tax rate at the beginning of the period. Hard-pressed, high-tax-rate districts were most likely to reduce tax effort.
2. Increases in tax effort are evidently related to levels of educational service sought locally, since there is a tendency for these increases to be in districts highest in local levies and in expenditures per pupil in 1960-61.
3. Tax rate and tax levy changes are related positively to wealth per pupil in districts.
4. Districts which received greater proportions of support from federal funds increased most in tax effort.

It is evident that in New York State, P.L. 874 funds have had little effect upon the maintenance of local effort for the support of schools as compared with non-P.L. 874 districts. Reductions in relative local effort may be attributed to factors other than P.L. 874. Districts lagging are those hard-pressed taxwise, low in wealth, low in levels of educational expenditure generally, and districts not depending upon large proportions of support from federal aid.

PURPOSES OF STATE SYSTEM NEED IDENTIFICATION

There are some conclusions which may be drawn from analysis of the effects of P.L. 874 funds in the states about best adjustments in state school finance programs. In an effort to derive meaning from available information on this, a logical first step would be the establishment of a universally applicable, theoretical frame—principles, criteria, what-not—against which to measure alternative schemes. This is impossible to do in the reality of the present state of school finance programs.

For example, the idea of "equity" may be defined in theoretical terms, but there is no definition of the term which will hold up as a standard consistent with essential purposes of all state systems. Equity in allocation of state funds in some states means equal amounts per child (flat grant); in some, equalized amounts per child or classroom; in others, equalized proportions of support of costs. In practice, state systems consist of a variety of rationalizations and little rationale from which applicable principles may be derived.

There are the little-if-any states, the special-aid states, the flat-grant states, the minimum-program states, the foundation-program-with-compromise-flat-grant states, the state-budget states, the percentage-grant states, and many others. What to do about P.L. 874 funds in one case will not fit another. It is evident that deciding what to do about the federal payments must follow a careful definition of what the state system attempts to accomplish. In many states this is difficult to do.

One thing seems evident, however: Insofar as P.L. 874 payments to local units are to be viewed as payments "in lieu of taxes," they are clearly related to all state systems which allocate funds on the basis of local financial resources. The only state aid adjustments for P.L. 874 noted to date are made in the apportionment of equalization-type grants.

SOME CONCLUSIONS

In summary, the following courses of action seem appropriate with reference to P.L. 874:

1. *In all states.* In no manner reduce state aid in districts receiving P.L. 874 funds under "budget deficit" provisions—sections 2, 3(c) (4), and 4. For flat-grant allocations under P.L. 874, subsection 3(c) (1), consider procedures appropriate to the state finance type.

2. *In nonequalization states.* Ignore P.L. 874 funds in the state program. States with small proportions of state flat-grant or special aids have an imbalanced program or an inadequately supported program to begin with. To the degree that P.L. 874 purposes are valid at all, such federal receipts improve rather than aggravate a random support level varying primarily with chance variations of local resources. In large-fund-minimum-program, flat-grant, or state-budget states, there is no state-local sharing of a minimum program and thus no basis for taking local ability into consideration. Insofar as an "additional burden" is, in fact, imposed by federal activity in some districts, additional funds are justified in localities with such impact. However, in the unusual situation of all, or almost all, support from state, nonproperty tax funds, an adjustment may be made in part in the preparation of a district's state budget. . . .

3. *In foundation-program-type equalization states.* Avoid attempts to capitalize federal receipts. Converting receipts to property valuation equivalence results in inequities in this type of adjustment. It is better to add all or part of the federal receipts to the local contribution in computing the difference in the foundation (or minimum) program cost to be supported by the state. How much of the federal receipts should be placed in combination with the local computational levy on local property should be determined on the basis of an analysis of the entire state support pattern. The simplest method is to pare the federal contribution down in proportion as the computational rate in the equalization formula is less than the state average actual rate. This is equivalent to determining, for all P.L. 874 districts in a state, the ratio of the computational rate times their property valuation equivalence at the state average tax rate to the amount of federal receipts; this to be used as a fraction of such receipts to be counted as local contribution. There is a practical consideration in counting only a fraction of the federal receipts as local contribution. If the full amount is charged, the net assistance to the district is the same as if no federal funds were received. This leaves little motivation for local districts to make application for federal funds.

4. *In equalized-percentage-grant states.* Since the equalized-percentage-grant, by definition, is based on the conventional foundation program model, what has been said above applies to states in this category also, except for the "reward for effort" feature. The percentage of the state share, as computed for these grants, is in some form which is reducible to 100 percent less a factor times the local valuation per pupil or similar unit. The factor is a function of a level of support in dollars per unit and a compu-

tational rate on property. These are the same elements which determine the pattern of any foundation program plan of equalization. If the percentage of state contribution is computed as 100 minus the sum of a factor times local valuation per unit and another factor times federal receipts per unit, the result may be applied against the total school budget.

On the other hand, if, as in Rhode Island and as planned in New York State, the federal contribution factor is left out of the local contribution computation and deducted from the cost, the result is the same as ignoring the federal contribution. This is inconsistent with the view that P.L. 874 funds are payments "in lieu" of taxes; would penalize districts with heavy federal impact, low property valuation, and flat-grant payments from P.L. 874 at amounts considerably lower than actual costs; and would not guarantee through state funds an equal expenditure level at equal local tax efforts.

The state percentage, as proposed in Maryland, is reduced by the actual percentage costs derived from federal sources. This is then applied to the total budget—dependent upon state, local, and federal funds. This method is consistent with the purposes for which the federal funds are paid and is evidently the only method in keeping with the logic of this type of grant. In its simplest application, a local percentage is determined on the basis of ability. This, with the local levy, determines the total from which are subtracted the local levy and all of the federal payment to derive the state aid. The resulting effects of the federal payment on state aid are favorable to low ability and/or high tax rate districts.

Tax Burden and Family Income

In the development of tax systems one should take account of the incidence of taxation. There should be reasonable relation between tax burden and ability to pay.

The CEF Report (6: 2-3) of August 1960, gave figures bearing on this question. It showed tax burden on families of various incomes, of federal and of state-local taxes. The former are progressive, the latter regressive. The inci-

TABLE 2.—AVERAGE TAX BURDEN PER FAMILY BY LEVEL OF INCOME, 1958

Total income per family[a]	Average tax burden per family[b]					
	Total		Federal		State and local	
	Amount	Percent	Amount	Percent	Amount	Percent
1	2	3	4	5	6	7
$ 1,454	$ 412	28.3%	$ 229	15.7%	$ 183	12.6%
3,751	986	26.3	595	15.9	391	10.4
5,934	1,535	25.9	972	16.4	563	9.5
8,160	2,097	25.7	1,407	17.2	690	8.5
10,250	2,454	23.9	1,656	16.2	798	7.8
13,868	3,332	24.0	2,382	17.2	950	6.9
32,284	11,576	35.9	9,615	29.8	1,961	6.1

Source:

Tax Foundation. *Allocation of the Tax Burden by Income Class.* New York: the Foundation, 1960. Table 6, p. 13.

[a] Total income corresponding to net national product. Income figures are averages for income classes.

[b] Includes social insurance taxes.

TABLE 3.—TAXES AS A PERCENTAGE OF TOTAL INCOME BY SOURCE AND BY INCOME CLASS CALENDAR YEAR 1958

Source	Family personal income class							
	Under $2,000	$2,000-3,999	$4,000-5,999	$6,000-7,999	$8,000-9,999	$10,000-14,999	$15,000 and over	Total
1	2	3	4	5	6	7	8	9
Total taxes, excluding social insurance	21.0%	20.4%	20.6%	21.6%	20.6%	21.6%	34.4%	23.7%
Total taxes, including social insurance	28.3	26.3	25.9	25.7	23.9	24.0	35.9	27.4
Federal taxes:								
Individual income	1.8	4.5	6.0	7.9	7.5	8.9	16.3	8.7
Corporate	3.8	3.2	3.0	3.0	3.0	3.6	8.8	4.3
Excise and customs	4.0	3.3	3.1	3.0	2.9	2.7	1.8	2.8
Estate and gift	...	...	...	...	...	...	1.7	.3
Total, excluding social insurance	9.6	11.0	12.1	13.9	13.4	15.1	28.6	16.1
Social insurance	6.1	4.9	4.3	3.3	2.7	2.0	1.2	3.1
Total, including social insurance	15.7	15.9	16.4	17.2	16.2	17.2	29.8	19.2
State and local taxes:								
Individual income	.5	.8	.6	.2	.2	.3	.7	.5
Corporate income	.2	.2	.1	.1	.2	.2	.4	.2
Excise and sales	4.8	3.0	3.7	3.6	3.5	3.2	2.1	3.3
Estate and gift	...	...	...	...	...	...	.5	.1
Property	5.9	4.6	4.1	3.7	3.4	2.8	2.1	3.5
Total, excluding social insurance	11.3	9.4	8.5	7.7	7.2	6.5	5.9	7.5
Social insurance	1.3	1.0	.9	.8	.6	.4	.2	.7
Total, including social insurance	12.6	10.4	9.5	8.5	7.8	6.9	6.1	8.2

Source:
Tax Foundation. *Allocation of the Tax Burden by Income Class.* Project Note No. 45. 30 Rockefeller Plaza, New York 20: the Foundation, 1960. Table 10, p. 17.

dence of individual taxes differs substantially in relation to family income. The following excerpts are the basis of the foregoing conclusion.

> . . . The average tax payment of families at different income levels is shown in amounts and in percents of family income in Table 2.
>
> . . . . .
>
> The impact on families of the tax systems and of the specific taxes is shown in Table 3 as a percent of income at different levels. From the data in Table 3, tax systems and specific taxes can be compared for their progressive, proportional, or regressive impacts on families at different levels of income.

In reference to the impact of the combined federal and state-local tax system, the Tax Foundation summarized as follows:

> The major conclusion of this study is that the tax burden is approximately proportional to income in the income classes that include most of the population. This study shows that this rough proportionality extends at least up to the $15,000 income level. For all incomes over this level taken together there is a sharp increase in the total tax burden, but the methods and sources used in this study are inadequate to carry further up the income scale the estimates of tax burden distribution. Indeed, the higher the income level the more crucial becomes the problem of definition of income, and the greater the difficulties of imputation. Correspondingly, it would be a mistake to press too far the estimates of the tax burden on the lowest income class because the lowest income class in this country is characterized by such widely varying circumstances of age and financial position.

A further analysis of the data in Table 3 indicates that only the federal tax system shows any tendencies toward a progressively greater impact on higher income classes. Within the federal tax system only the income and estate taxes appear progressive. Tendencies toward regressivity are evident in the state and local tax systems except in the estate tax. The regressive impact of the property tax is clearly evident.

Concentration of Wealth in the United States

The CEF Report of November 1962, (7:5, 8) presented data concerning personally owned wealth and number of share owners.

PERSONALLY OWNED WEALTH

A quarter of all personally owned wealth and over half of the personally owned business assets in the United States were held by 1.6 million persons, comprising 1 percent of the total population and 1.6 percent of the adult population. According to a study, "The Share of Top Wealth-Holders in National Wealth, 1922-56," by Robert J. Lampman,[2] over 30 percent of the assets and equities of the personal sector of the economy in 1953 were assignable to the top wealth holders. This top group held at least 80 percent of the corporate stock, almost all of the state and local government bonds, and between 10 and 33 percent of other types of property in the personal sector of the economy.

The concentration of wealth in the top 1 percent of adults decreased from 1929 through 1949, but increased after 1949 as follows:

Year	Share of top 1 percent
1929	36.3%
1939	30.6
1949	20.8
1953	24.2
1956	26.0

In 1953 all personally owned wealth—real estate, bonds, stocks, cash, mortgages and notes, life insurance, and miscellaneous property—amounted to an *estimated* $1 trillion. The average gross estate for all adults was slightly less than $10,000. The average gross estate of the top wealth group (with $60,000 or more of gross estate) was $182,000. An estimated 27,000 persons had a gross estate of more than $1 million.

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THE 17 MILLION SHAREOWNERS

According to the 1962 Census of Shareowners,[3] an estimated 17 million individuals in the United States own stock in U. S. public corporations. This represents an increase of 4.5 million shareowners since the Census of 1959 and an increase of more than 10 million over the past decade. The 1962 census of shareowners conducted by the New York Stock Exchange polled a sample of the individual shareowners of nearly 6,300 U. S. public corporations with 14.4 billion shares of common and preferred stock outstanding representing a market value of $531 billion as of the end of 1961. Individuals held $341 billion or almost two-thirds of the shares outstanding by value.

Nearly 1 in 6 adults in the United States was a shareowner in 1962. The incidence of share ownership is increasing sharply: 1 in 8 adults was a shareowner in 1959 and 1 in 16 adults was a shareowner in 1952.

The Outlook for Educational Finance

Erick L. Lindman (8:10-13) identified trends likely to affect school finance

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[2] Lampman, Robert J. ***The Share of Top Wealth-Holders in National Wealth, 1922-56.*** A Study by the National Bureau of Economic Research. Princeton: Princeton University Press, 1962.

[3] New York Stock Exchange. ***The 17 Million: 1962 Census of Shareowners in America.*** New York: the Exchange, 1962.

in 1964-65 and paid special attention to the role of the federal government in financing education. Excerpts follow.

. . . Among the trends most likely to affect school finance developments next year [1964-65] are:

- School enrollments are expected to continue to increase, with greater percentage gains in high schools and junior colleges where costs are higher. Financing the flourishing public junior college system along with increased enrollments in secondary schools will strain present tax revenue sources. Indeed, an intensive effort to divert the tidal wave of unskilled teenage workers from the glutted labor market may engulf secondary school and junior college facilities.
- The coming year is expected to be one of high economic activity and rising prosperity for individuals and businesses, providing the economic base for increased school revenues. But it may be a year in which inflation is difficult to control and, if so, school revenues may lag behind.
- Demands for improvement in the quality of education are expected to continue but with more emphasis upon vocational education and upon compensatory education for those who have special need for it.
- Summer school enrollments are expected to increase rapidly as the educational potential of the summer school is more fully realized.
- State legislative bodies, irritated by mounting pressures for bigger school appropriations and by criticism of school instructional programs, may impose new controls which go too far and become strait jackets upon local school systems.
- Strong pressures may develop within the federal government to use schools to aid in solving national problems. Indeed, school teachers may become the shock troops in the war on poverty.
- Demands will increase for adjustments in state and federal aid programs to recognize the peculiar problems and needs of large city school systems.
- Improvements are needed in methods of presenting to legislative bodies the relationship between the amount needed to finance a state support formula and the quality of education which the formula will insure.
- Improvements are also needed in incentive type aid to overcome its weaknesses and to gain the advantages of its flexibility.

These trends will affect in various ways school finance developments in the year ahead at the federal, state, and local levels, perhaps modifying the established roles of each level of government in the financing of education.

THE FEDERAL ROLE

The role of the federal government is a matter of concern to all of us and is perhaps most in need of clarification. Federal contributions to education are of four distinct types, each of which contributes to the role, or potential role, of the federal government in educational finance. First, there are the well-known categorical grants to finance in part selected aspects of education. These grants are not really aids to education; they are more correctly described as efforts to enlist the services of educational institutions to solve national problems. For example, the Morrill Act of 1862 was enacted to strengthen the agricultural component of our economy, not to aid the then nonexistent colleges of agriculture and mechanical arts. A more recent illustration is the National Defense Education Act, the very name of which emphasizes its relationship to national defense. Indeed, these and other categorical grants are intended to utilize the resources of schools and colleges in pursuit of a national purpose. Aid to the ongoing educational program of states and school districts is incidental in most categorical grant programs.

Second, there are federal payments to provide relief to communities burdened by federal activities or deprived of normal revenues by the tax-exempt status of federal property. Although Public Laws 874 and 815 are the best known examples of this type of aid, federal payments to counties which contain federal forests, grazing lands, or mineral deposits are earlier examples. These federal payments are not categorical grants; they are available for any aspect of the school program.

Third, there are federal payments to finance research and leadership activities intended to provide knowledge needed to improve education. The United States Office of Education Cooperative Research Program is the best known illustration of this type of federal aid to education.

Finally, there is the concept of general support in which the central purpose of the federal payment is to strengthen and equalize support for the ongoing public school programs of the several states. Despite strong support for such legislation, this form of federal participation has not been approved by the United States Congress in recent years. Indeed, the best example is the original Public School Land Grant, enacted by the Congress early in the history of our country.

Each of these four types of federal participation in educational finance has a distinct purpose. Arguments for or against one type of aid are usually not equally applicable to others. Similarly, administrative arrangements suitable for one type of aid are often inappropriate for another. For example, the practice of including federal receipts as local funds available to finance the state's foundation program is consistent with the purposes of Public Law 874, but not with the purposes of the National Defense Education Act. One is offered as a substitute for local property taxes while the other is intended to promote selected aspects of educational programs.

It is not likely that the federal government will discontinue its interest in categorical grants in the immediate future. On the contrary, the war upon poverty may add to the present list. The prospect of continued and perhaps expanded use of categorical grants calls for carefully developed plans to make such grants most effective. To mesh the complex fiscal gears of the federal government with those of 50 different states and thousands of local school districts to produce an efficient program calls for some engineering skills not yet developed. The problem is essentially one of satisfying congressional concern about program emphasis and efficiency without imposing cumbersome operational restraints upon school districts.

Although much has been done to develop guiding principles for state school foundation programs, very little has been done to develop guiding principles for state plans to administer federal categorical aids. . . .

Another excellent illustration of the problem can be found in Public Laws 874 and 815. One of the fundamental problems encountered in the development of this legislation grew out of the great variety of school district organization patterns in the several states. The problem was essentially to make the federal entitlements independent of school district organization. This policy was adopted to avoid a situation in which states might be tempted to alter school district boundaries to maximize federal entitlements, and to avoid favoring either small district or county unit states.

Another fundamental policy of this legislation is that the aid should follow the child. Accordingly if a child lives in one school district and his father is employed on federal property located in a neighboring school district, a federal entitlement accrues to the district in which the child attends school even though there is no federal tax-exempt property in that district.

Investigators have been discovering this "anomaly" in Public Law 874 from time to time ever since it was enacted. To one who is not familiar with the problem of gearing federal legislation to 50 independent states with basically different fiscal and organizational arrangements for public schools, this feature is truly an anomaly, but to school administrators who have lived with the problem of school district organization for most of their professional lives, this arrangement makes sense.

These are illustrations of the problems and issues in school finance which are expected to grow in importance during the immediate future. They indicate areas where research and creative development are needed as the traditional state-local partnership to finance public schools becomes a state-local-federal partnership.

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X. Complexity of Factors Involved in Designing Future Patterns of School Finance

Most of the reports and studies sponsored by the Committee on Educational Finance may be classified under one of the chapter headings of these Readings although in some cases they also touch upon other topics. Some of the materials, however, take a broad, rather than a specialized, view of school finance. The attempt is to sketch the complexities of this field and "to deal with the totality of educational support." The excerpts from the materials in this chapter of the Readings are of the foregoing type.

H. Thomas James (1:90) stated the concept upon which this chapter is based as follows:

. . . I would like to make one generalization: The determinants of school expenditures are complex. The day of profitable attention to any single variable and of simple correlational studies is over. We will make progress in the study of school finance only to the degree that we can work inside the seamless web of interrelationships of economic factors, social values, and political processes that make, in their infinite combinations, the diversity we find in public school expenditures. I think we are beginning to assemble the concepts, and we have the computers to deal with this diversity. This decade should be a fruitful one for our knowledge of school finance.

Dimensions of a Finance System for the Twentieth Century

S. J. Knezevich in 1960 (2:25-31) outlined the dimensions of a pattern of school finance appropriate for today. Excerpts follow.

THE PROBLEM BEFORE US

At present a nineteenth century pattern of financing dominates twentieth century educational institutions facing problems of a magnitude and complexity never envisioned in the nineteenth century and barely comprehended at present. . . .

One does not have to be too bold under these circumstances to predict that there will be changes in present systems of financing education. . . . It is imperative that existing financial resources yield more or that new resources be developed.

CHANGING SUPPORT PATTERNS

Similar situations must have been experienced in the past, for the history of educational support tells of frequent shifts in policies. Early in our history a large part of school support came from nonmonetary sources. It was almost a barter system. . . .

Placing local *tax* resources at the disposal of schools was a battle that had to be won, according to Cubberly, if the schools were to meet the new challenges of the late nineteenth century. This bold approach of shifting almost the entire burden of financing education to the local property tax made sense during a period in our history when local units of government (such as school districts) were the dominant tax-collecting and tax-expending bodies. Until about 30 years ago the combined tax collections of state and federal governments were less than those of local governments. Local initiative could be expressed where funds were available in the amount necessary. The local property tax stimulated initiative primarily in districts blessed with a bounteous yield from a relatively low millage. Where financial resources were lacking, local initiative degenerated into local inertia and state regulations were developed in an attempt to minimize the difference in quality of educational programs within the state.

The point of all this is that we should not permit school finance systems to become sacrosanct. . . . The growing numbers enrolling in public schools, the high caliber of the professional staff, the insistent demand for quality in education, the ever increasing price levels, along with other factors call for a system of finance different from that proved successful in the nineteenth century but found lacking in the twentieth. . . .

UTILIZATION OF ALL GOVERNMENTAL LEVELS IN FINANCE

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If schools are to go beyond present levels of quality and adequately discharge the responsibilities placed at their doorsteps, the financial resources of *all levels of government* must be made available to them. The justification for the demand that all levels of government participate in supporting schools is based on the fact that public education has a profound influence on our way of life; it is no mere local concern. In addition to recognizing the public schools' basic role in the American political system and national security, the Educational Policies Commission emphasized:

> There is an intimate relationship between schooling and the economic health of a nation and of its citizens. Prosperity demands productivity, and productivity demands trained talent. Education develops the intellectual and manual skills which underlie the productive abilities of individuals and nations today. Nations with the highest general level of education are those with the highest economic development. Schools, even more than natural resources, are the basis of prosperity.[4]

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LOCAL RESOURCES

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It is questionable whether local nonproperty taxes will play a significant role in school finance. The possible exception may be in the heavily populated cities. The long urban strip traversing many state lines may be large enough to effectively administer nonproperty taxes. Local nonproperty taxes do not hold much promise for the rural or sparsely settled areas. Although assigned to perdition by many tax authorities almost a century ago, the property tax with all its faults will remain the backbone of the local district's resources. The need for better assessment, billing, and collection procedures cannot be ignored much longer.

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[4] National Education Association and American Association of School Administrators, Educational Policies Commission. *National Policy and the Financing of the Public Schools.* Washington, D.C.: the Association, 1959. p. 7 and 9.

A significant change in the years ahead will be a movement toward consideration of the local resources as supplementary rather than the major source of school support. This is where some states are now, and others will follow. A minimum or foundation program supported by state and federal funds will insure the continuance of local initiative by permitting the utilization of at least a portion of local resources to cope with special local problems or to permit experimentation to improve the quality of education. Keep in mind that early in the 1800's the use of the local property tax to support public education was considered a heresy referred to as the partial confiscation of one man's property to educate another man's child.

THE ROLE OF THE STATE

In the last 50 years the state has moved from a relatively insignificant role in the financing of public education to one of considerable importance. It is only recently that taxes collected by state governments surpassed the combined total taxes for local units. In the years ahead the state will be the great equalizer. Using the broader range of taxing powers, the states can and will compensate for the extreme variations in ability of local units to support schools. Reorganization of local districts is already helping to do this. State laws and regulations calling for better qualified teachers, safer school facilities, compulsory education, and the like have contributed to the heavy burden on the local property tax.

Legislators with a conscience have already recognized that you cannot demand quality in local units without helping to pay for it. . . .

The distribution of state-collected taxes to promote quality education within local districts will be primarily foundation- or minimum-program oriented. More effective school districts will help insure this, along with more equitable assessments. More sophisticated bases used in the distribution are being developed to insure state support's coming closer to avowed purposes.

. . . It will become increasingly difficult to justify a state support program which ignores capital outlay. School plants, no matter how constructed or financed or where located, are state-owned buildings with the trusteeship over such units awarded to local units for a given period of time. As others have pointed out, research since the 1920's in identifying and defining measures which make up the foundation program has greatly outrun practice. The conditions appear to be ripe for practice to start catching up with the research.

CONTRIBUTIONS FROM THE FEDERAL LEVEL

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. . . If schools are to achieve quality levels, the federal government must play a more realistic role in educational finance. . . .

The question remains of how desperate the financial situation must become before the attitudes and emotions which preclude the greater utilization of national resources for public education are dissipated. In the years ahead, federal support will be a continuous rather than a crash program. . . .

THE WEALTH OF THE NATION

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There is little question of the wealth of the nation and its ability to support quality schools. Instead it is a question of willingness to allocate 3 percent, 3½ percent, or even 4 percent of the future GNP to public education. The ultimate decision is based on the values assigned to an educated populace as a great national resource. . . .

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. . . The problem of implementing effective patterns of school finance on a nationwide basis is perhaps one of the most significant facing those of us concerned with school finance. It emphasizes the need to understand how to promote changes in attitude or emotional dispositions as well as the designing of systems of finance by the specialists. School finance experts may well spend more time in the political arena than ever before. Being somewhat optimistic, I view what is ahead as a period not without its problems, but a time nonetheless of great hope, as what is known through research can be applied to meet the challenges.

Propositions and Experimentation to Modernize School Finance Programs

H. Thomas James (3:50-55) in 1964 outlined important factors in dealing with the totality of educational support. Excerpts follow.

Complexity of Intergovernmental Relations Regarding Education

In response to rising popular demands for educational services at all levels, state legislatures are seeking ways to deal with the totality of educational support in the public sector and are finding it difficult because of the fragmentation of educational institutions supported by government, and the related fragmenting of the professional associations. The great city school systems are emerging as powerful institutions rather generally independent of the administrative lines maintained by the chief state school officers and independent also in the professional dimension from teacher and other state professional associations. They deal directly with the legislature in many states through the municipal-state political channels and are able to make special arrangements for state financing outside the framework of the foundation programs. As the effects of the Supreme Court decision on reapportionment of legislative seats spreads, the power of the great cities to maintain their direct influence with legislatures, and perhaps with the Congress, will grow.

State universities and state colleges rather generally deal directly with legislatures. The junior college, which was once expected to develop as an extension of the secondary school, is clearly emerging as a separate institution, even in California where it seemed at first to be an integral extension of the secondary program. Vocational and adult education programs are increasingly separate in their institutional arrangements, their professional associations, and their search for fiscal support. Programs for the education of exceptional children are gaining an institutional identity. Separate elementary and secondary institutional arrangements continue to be markedly resistant to district reorganization, and even when combined by law they maintain separate identities; in fact in many of the oldest and largest school systems the divisions are sharpest. Junior high schools are beginning to claim, and get, special treatment in state support formulae in a number of states.

The first of three general propositions I want to suggest for improving state and local financing of education is addressed to the administrators of governmental and professional organizations in one large sector of educational effort. It is a plea for a united effort among educators. Build your strategies for educational improvement in terms of the total educational effort, and avoid intersector warfare. The temptation is often great for leadership at one level, whether it be elementary, secondary, vocational or adult education, junior college, college, or university, to view the extension of services at some other level as a threat. Yet evidences abound everywhere around us of how extension and improvement of services at any one level in this closely interrelated system of educational institutions ultimately improves the support and services at all other levels.

. . . . .

. . . Each level is heavily dependent on every other level in order to render quality service to the people, and united professional efforts will speed and strengthen the popular efforts. We will be heavily dependent for continued development on our great system of higher education, partly to hold our best talent in their states of origin—the student who leaves the state for his higher education is more likely to spend his productive life elsewhere—and partly to attract industry, for the new industrial world that is developing is heavily dependent on universities, both for trained manpower and for ideas, and tends to flourish in the close company of great universities.

Complicating the problem of the growing institutional complexity in education is the rising flow of federal revenue into all of these institutions. Legislators seek to obtain relief for state tax programs from this flow, and local officials attempt to retain the benefits. An example is the treatment of Public Law 874 funds, which in some states are used largely to reduce the state share of local school costs and in others are used largely to reduce local school taxes. In either instance the effects of federal funds on education, if any, are difficult to assess.

Similarly, with state funds; local boards have the option of using these funds for relief of local tax burdens or for improving educational programs. Their actions are dictated in large part by the preference of their constituencies, depending on the balancing of demands for better education against the demands for lower taxes.

Both the state and the federal government can interfere with this conflict between better education and lower local taxes. . . . In spite of strong pressure from the organized profession for general aid, and in spite of the recent success in New York State in bringing many special grants into the foundation program, I expect the categorical or conditional type grant to persist and probably to flourish, for it is the most effective way for legislative bodies to assure that purposes for which funds are allocated are actually accomplished, and to force rapid adjustments in institutions that tend to adjust slowly.

A second way that states can interfere in the balance of demand for educational services versus tax relief is by mandating minimum levies on local districts, thus reducing the freedom of local boards to substitute state funds for local levies. We concluded from our recent study of state finance systems that this is an effective way to assure that state funds are used for educational purposes rather than for local tax relief. For instance, we ascribed much of the markedly higher expenditures for education in New York State, as compared to California, to the fact that New York's mandated levies are about three times as high as California's. Thus, a California local board has much greater freedom than does a New York board to use state funds for local tax reductions. That California boards apparently exercise the freedom is evidenced by the fact that districts of similar financial ability and comparable socioeconomic characteristics generally spend less for education in California than they do in New York.

There appears to have been a rather general trend over the past decade to increase the level of mandated local levies, and it seems to be an effective means of assuring that state funds appropriated for educational services actually are used to generate services and not for local tax relief. . . .

A third kind of state interference, one that works against the satisfaction of local demands for education and forces the substitution of state funds for local levies, is the state-imposed limitation on local levies or levy rates. These limits frequently were established at the time of general increases in state support to assure that increases in state funds would result in reduction of local taxes. Even where these limits can be overridden by vote of the people, they have an inhibiting effect on expenditures, because boards of education often tend to force expenditures into existing limits for several years before attempting the often difficult tasks of persuading the community to raise the limits. I note in my most recent correspondence with chief state school officers a small but gratifying trend in recent years to raise these limits, especially in the great cities where they have been most restrictive.

. . . As initially formulated by Strayer and Haig and adapted in many states by Mort, the foundation program was a flat grant in that it guaranteed the same amount of dollars per pupil or per classroom to each district. . . .

R. L. Johns and others subsequently noted that a fixed dollar amount buys different levels of services in different communities, and argued that the state should equalize services, not dollars. He and others therefore began to spread the educational services plan where the local rate or contribution is fixed, the dollar value of the grant is allowed to vary as the cost of the minimum program varies from community to community, but an attempt is made to hold services constant.

On my last check it appeared to me that about 25 states could be classed in the fixed dollar plan and, if we use a very loose definition of the fixed services plan to include all those that include salaries, about 21 could go in that category; local contributions range from zero to over 80 percent in both categories. I checked the degree to which states in each category have held the state-local shares constant over the past few years and found both categories are shifting costs toward the local level; in the services category larger shares of the cost had shifted to the local districts in 14 states, and in 6 the costs were shifted to the state, with one unchanged. In the fixed-dollar category 16 had shifted costs to the local districts while 9 had shifted a larger share to the state.

Wisconsin began in 1949 an innovation that appears to be attracting increasing interest by allowing services, dollars, and tax rates to vary in accordance with local preferences. The state under this plan, and under the Rhode Island plan developed a decade later, actually supports educational programs at many levels of expenditure, but among districts of equal ability this plan favors the communities demanding the higher educational services.

We have in these three groups of state support plans a historical record of improvement in the methods of distributing public funds to educational purposes. I would argue that the services plan was an improvement over the fixed dollar plan on the simple grounds of the number of states in which the services plan has supplanted the fixed dollar plan, as well as on the sensible notion that dollars appropriated for educational services ought to be related to the services. I would also argue that the Wisconsin idea is a further improvement, on the grounds that it is good public policy in dealing with communities of equal ability to favor those that strive for better schools.

A preliminary generalization from these observations is this: To the degree that foundation programs approximate a flat grant for general purposes as defined by local boards of education, they will be markedly altered or abandoned as devices for allocating and distributing funds to local school districts, . . .

The foundation program was responsive to a generalized demand for educational support in a period characterized by a vacuum of information about how such support could be effective. We still know very little about what education costs. Intensive studies of variations in costs of education within school districts are seldom done, and when they are they are so explosive in their implications for policy decisions that they are not widely circulated. We know in general, however, that costs per pupil often vary much more widely among pupils within a school district than they do among states.

Changing Concepts and Needed Experimentation

At the 1964 Conference of the Committee, H. Thomas James (3:56-58) elaborated further on the need for dealing with the totality of educational support by discussing changing concepts and needed experimentation.

My . . . general proposition for modernizing state and local financing of education grows out of my conclusion that the foundation programs as generally defined cannot much longer be defended as a substitute for information about what schools should cost. The proposition is this: Explain the costs of education to the public in terms of the services rendered, and schools will be better supported.

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The two inferences I draw from this observation are that increases in the total budget are allocated across line items, not on a rationally selective basis, but on a flat percentage-increase basis; and that the reason this is so is that insufficient information is available at the policy-making level to provide a more rational basis for allocating funds, partly because accounting departments are understaffed, partly because budget departments are only beginning to appear and they, too, are inadequately staffed, and partly because the line items currently used in school accounting are more useful for concealing than for revealing information pertinent to policy decisions. . . .

I propose two lines of experimentation to increase the usefulness of school accounting in budget making, and to increase the flow of information on the critical levels of policy making.

First, school accounting is generally viewed as a system for making historical records of financial transactions, reporting legal and prudential stewardship of public money, and summarizing periodically the financial position of the district. The line items grew from simple operations and have remained fixed for half a century despite growing complexity in school district operations. Whatever utility the line items had initially for reporting and for periodic summaries of the cash position of the district, they are not now useful for any systematic analysis of school expenditures in terms of input-output models. . . .

What I am urging is extensive experimentation to determine what subsystems are most useful for analysis, whether it be by attendance centers, or by areas of instruction, perhaps even by subject-matter and by grade level, and to see whether each of the systems of services auxiliary to instruction can be analyzed. Modern accounting technology makes any of these approaches feasible; in fact, the equipment available in many school systems puts us in reach of another kind of analysis that may eventually make a real breakthrough in the study of school costs, through analysis of exposure of the individual child to school services on a basis not unlike the job-order approach to allocation of hospital costs, or car repair costs in a garage.

Second, given the necessary accounting by subsystems, it should be possible to raise more information to the policy level for making efficient decisions on budgets by requesting responsible administrators at the lower levels to estimate the consequences of alternative allocations to each subsystem on performance. Thus the administrator of a given subsystem could be asked to prepare, and justify in terms of performance criteria and value judgments set by the top policy-making level of the system, three separate budgets, one based on the previous year's allocation of funds to that subsystem, a second contemplating, for instance, a 20 percent increase in the funds, and a third contemplating a 20 percent reduction in the allocations.

Innovation and experimentation along these lines clearly will call for substantial increases in the staffs of accounting departments, and probably will require the development of separate departments of budget planning, system analysis, and preaudit functions quite separate from the business operation division, with the postaudit function lodged in a third department of audit, or performed outside the school system.

The results of such innovations would provide an enormous expansion of information relevant to budget decisions at all levels of the school system. It would take us a long way in the direction of rational assessment of the effects of financial input into the system in terms of the output of services for which schools are operated. It would bring us closer to the time when we can allocate state funds to local school districts on the basis of a rational transaction that will balance supply and demand factors at each level of our complex structure for decision-making on school finance. . . .

My third proposition is this: Heed the dissenting voices and let our educational institutions adapt to state and regional needs. Educational institutions develop remarkable rigidities as they age, and these rigidities can cause them to malfunction either through sins of omission or sins of commission. Like any ailing institution, the degree of malfunction can be measured in loss of clientele and in the rise of competing institutions. Not all of our public schools serve a high percentage of the community's youth, but those that do are young and growing, and adaptive to the needs of the communities they serve. They can be kept that way only by allowing minority voices to be heard in the councils where policy for education is made.

White Anglo-Saxon Protestants have made policy for American public schools from the beginning; they still do in the majority of school districts. But if I may be permitted to make a remarkable understatement, this situation is changing. White Anglo-Saxon Protestant voices no longer dominate the important forums on educational policy at the federal level, nor in all American cities, nor in the more populous American states. Increasingly, Roman Catholic, Jewish, and above all, American Negro voices are raised in these councils no longer apologetically. American public schools were designed to serve all of our people, and they extend their services under the legal precept that citizens accept them not simply as a right, but as a duty of citizenship. It is my conviction that we can improve our school systems as we devise ways for all of our people to sit down and reason together about how improvements can best be made.

A New Resource in Studying Intergovernmental Relations

The federal government has established the Advisory Commission on Intergovernmental Relations, which aims to aid the three levels of government in achieving more effective public services in all fields including education. At the 1960 Conference of the Committee, Allen D. Manvel (4:122-28) described the program of this Commission.

The phrase *intergovernmental relations* is often narrowly interpreted as relating only to the flow of money from one government to another, and thus to be concerned solely with such matters as grants-in-aid and shared taxes. . . . I should like to interpret my subject more broadly, and to deal with some other kinds of intergovernmental relationships in addition to those which involve financial assistance or revenue sharing.

PUBLIC SCHOOLS SINCE WORLD WAR II

Present and prospective public school needs are so very large and important that we may well seek encouragement from what has been accomplished in the period since the end of World War II. The record is impressive, especially when we note the great rise which has occurred in school age population, and the marked geographic shifting of American families—mainly from east to west and from rural sections to newly urbanized areas around major cities. . . .

SHIFTS IN OTHER GOVERNMENT FUNCTIONS

These developments of the past two decades have taken place largely within the historically established framework for public school organization and financing, rather than through any sweeping shift in intergovernmental relations. . . .

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. . . provision for public schools is intimately related to the requirements of other public services, and is closely bound up with the fiscal capacity and structural vigor of the governments concerned.

In the short run, school requirements compete rather directly with other public services for support from a relatively fixed total of prospective governmental resources, and such support must be sought mainly within a predetermined pattern of governmental structure, assignments, and financing methods. In the longer run, though, the needs of particular functions are likely to be complementary rather than competitive, and the prospects for numerous public services may hinge upon changes taking place in basic institutional arrangements.

For example, the most important action in a particular state legislative session, insofar as the immediate needs of public schools in that state are concerned, is likely to involve the appropriation of funds for established programs of grants-in-aid to school districts. However, from the standpoint of public school conditions and requirements of a few years ahead, it may be even more important in a particular legislative session that courageous action be taken toward increasing the state's taxes; or that outmoded property tax arrangements be reformed; or even that significant changes be made in some programs that involve public welfare or juvenile delinquency.

This is an easy generalization, of course, and does not all by itself offer any clear guideline for attitude or action. In the area of intergovernmental relations, however, it is possible to note certain issues that seem likely to have a significant bearing upon the financial prospects of public schools, by reference to some of the recent major studies and reports of the Advisory Commission on Intergovernmental Relations.

ADVISORY COMMISSION STUDIES

It is not inappropriate, perhaps, that these illustrative issues mainly concern state-local relations, rather than federal-state relations. As we all know so well, only a very minor part of all public school financing is now provided by the national government. Even if some important precedent should soon be set on that score, the bulk of public school financing in the next decade will still have to be provided from local and state government sources.[1]

REFORM LOCAL GOVERNMENT STRUCTURE

One issue which has received attention in various studies of the Advisory Commission is the need for reform of local government structure. . . .

STATE RESTRICTIONS ON LOCAL FINANCE

Another issue involves the restrictions imposed by state constitutional and statutory provisions upon the financing power of local governments. . . .

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[1] This is also one of the basic premises stated by Jesse Burkhead in the preface to his excellent recent monograph "State and Local Taxes for Public Education." As a matter of fact, states and local governments play a considerably larger role in the provision and financing of domestic government services as a whole than seems to be generally recognized. Of total general government expenditure for purposes other than national defense and international relations, the state-local portion is nearly two-thirds (i.e., $56 billion out of $90 billion in fiscal 1961), with seven-eighths of such spending by the states and local governments financed from their own resources and only one-eighth from federal intergovernmental payments.

ADMINISTRATION OF THE PROPERTY TAX

Administration of the property tax is another matter with which the Advisory Commission is concerning itself. This is clearly an intergovernmental relations issue, since the property tax is the financial mainstay of most local governments, including school districts, but is largely structure by state law, with local assessment and collection at least technically subject to state supervision. Moreover, the performance of the property tax, even when it is directly used only by local governments, strongly affects the amount and distribution of state grants which are made to help finance schools and other local public services.

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MEASURING FISCAL CAPACITY

Another subject examined by the Advisory Commission relates to methods for measuring fiscal capacity and tax effort. . . .

SIGNIFICANCE FOR PUBLIC SCHOOLS

What is the significance of such studies and recommendations to the future financing of public schools?

First, and perhaps most important, is the emphasis placed upon objectives that are inherently sound and logical, even if difficult to achieve, rather than upon more expedient or palliative courses of action. . . .

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Secondly, it may be noted that state programs affecting public schools have set many useful precedents with regard to local government structure and financing. This is notably illustrated by the widespread accomplishment of school district reorganization. One can also find examples of school grant programs which have been carefully designed to facilitate desired structural improvement—in contrast to some state and federal grant programs that have actually contributed to the proliferation of special-purpose units or the continuance of outworn patterns of local government. I believe school grant programs were also the first to include adjustments to take account, in measuring local fiscal capacity and effort, of the wide disparities of assessment levels that appear in most states. School finance problems have also been involved in various recent efforts to shift the reference of state debt limitations away from assessed values toward a more meaningful basis of full market value of taxable property, or something approaching it.

A third observation is really in the form of a question: Are the chances for sound progress on such difficult issues of intergovernmental relations increased, or are they limited, by the tendency to deal rather separately with the needs of particular functions, such as public schools? . . .

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. . . those concerned especially with public school needs should not limit their attention to this functional area but should collaborate vigorously in the thinking and promotional efforts which are needed if our governmental structure and fiscal arrangements are to be strengthened sufficiently to serve well the pressing public service requirements of the coming years.

At the 1964 Conference of the Committee on Educational Finance Selma J. Mushkin (5:134-42) further developed the purposes and recommendations of the Committee on Intergovernmental Relations. Some of its principal recommendations are included in the following excerpts.

. . . the Advisory Commission on Intergovernmental Relations is an instrument for community education, for helping to build a structure of cooperation among national, state, and local governments that will facilitate the achievement of more efficient and effective public services. The largest single share of state and local funds is claimed by education. Accordingly, the efforts of the Advisory Commission to improve organizational arrangements for providing public services, to facilitate cooperation among governmental units, and to strengthen the fiscal systems and arrangements are necessarily of concern to the educator. Moreover, the new educational programs adopted by the Congress and those newly proposed for adoption require in many ways an unparalleled degree and kind of cooperation among the three levels of government. The general objective of these new programs can be simply stated: the development of the nation's manpower resources to their fullest extent. The means toward the achievement of this objective—multiple programs involving different degrees of responsibility and administration by a variety of agencies at all levels of government—require unprecedented cooperative action and coordination machinery. The objective could be lost through friction among governments and agencies; it can be attained by squarely facing the complexity of the problem and by establishing methods of intergovernmental and interagency cooperation.

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WHAT IS THE ADVISORY COMMISSION?

The Advisory Commission is an agency of the national, state, and local governments, financed at present entirely by the national government but reporting not only to the President and to the Congress but to the governors and state legislatures as well. . . .

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. . . the Advisory Commission has issued 18 reports identifying specific questions of urgent intergovernmental concern and making recommendations for action to improve the situation. In addition, five informational reports have been published. Their subjects are (1) analysis of factors affecting voter reactions to governmental reorganization in metropolitan areas, (2) measurement of state and local fiscal capacity and tax effort, (3) compilation of overlapping taxes, (4) methods of determining the local or area-wide performance of some 15 functions, and (5) a directory of federal statistics concerning metropolitan areas.

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Approximately half of the Commission's reports deal with fiscal policies, and one-third with tax problems. The tax report includes an examination of the property tax status of privately owned properties in areas under exclusive federal legislative jurisdiction, an extensive report on property tax administration, and a reinvestigation of estate and gift taxation so as to improve the distribution of these taxes among the states and to simplify state tax statutes. . . .

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RECOMMENDATIONS OF THE COMMISSION

A number of Advisory Commission recommendations, developed in the course of the study and report process, deal directly with the structure of government or indirectly with the impact of state restrictions on the structure of local government; for example, the effect on structure of state restrictions on local indebtedness, on local taxation, on incorporation of municipalities, and on delegation of powers to local jurisdictions.

It is possible here to select for consideration only a few of the recommendations of the Advisory Commission. In making this selection, I have attempted to concentrate on the recommendations that appear to be of interest to the NEA, as is indicated by the efforts of the Committee on Educational Finance or of state associations, . . .

STATE ACTION ON PROPERTY TAXES

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. . . The Advisory Commission recommended a number of steps toward reform of the property tax. The first of the recommendations calls upon the states to take a hard, critical look at their property tax laws, and to rid them of all features that are impossible to administer as written. . . . The recommendations further call upon the states to divest the state constitutions of all details that obstruct sound utilization and administration of the property tax and to review the statutory property tax laws of the state so as to eliminate underassessment and to reduce erosion of the tax by exemption. State administration of assessments is recommended as the way in the longer run to obtain uniformly high-standard assessments throughout a state. As intermediate steps the Commission recommends state supervision and coordination of local assessments and state establishment of professional qualifications for assesssors and appraisers, with safeguards for state action on equalization and on publicity.

. . . Local units of government, however, are severely hampered in achieving property tax reform by intercommunity tax competition and by limited possibilities of recruiting qualified property tax administration staffs. ". . . School officials must be prepared to support these programs of equalization and other reforms as follows: to work for scientific, equitable assessment; to establish the office of assessor on a professional level; to work for assessment districts large enough to employ full-time professional people; to work for annual assessments at statutory levels of value; to work for internal and external equalization; and to work for just administrative and judicial procedures for the review of inequities."

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State-imposed restrictions on the taxing powers of local governments are incompatible with a local government's responsiveness to the needs of a rapidly growing and constantly changing community. On the use of nonproperty taxes, the Advisory Commission recommends that where conditions necessitate the use of such taxes by local governments, the state should help local governments overcome the economic and administrative handicaps which necessarily attach to administration by small governmental jurisdictions. . . .

STATE RESTRICTIONS ON BONDED INDEBTEDNESS

A major report of the Advisory Commission focuses on state provisions, (1) limiting indebtedness by reference to the local government's property tax base, (2) placing limits on tax rates that can be imposed specifically for debt service, and (3) requiring local referendums to authorize the issuance of bonds. The Advisory Commission points out that the present maze of constitutional and statutory restrictions upon local government borrowing is a serious impediment to effective local self-government. . . .

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STATE AND LOCAL GOVERNMENT RETIREMENT SYSTEMS

. . . the Advisory Commission urges (1) expansion of retirement coverage to more public employees, (2) merging of small retirement programs and (3) intrastate reciprocal agreements for joint financing by employing governments of the retirement benefits payable under the system of the final employer. A recommendation for vesting of retirement rights after an employment period of not more than five years and for maintenance of eligibility for deferred benefits is incorporated into the legislative program on retirement proposed by the Advisory Commission. . . .

INTERLOCAL CONTRACTS FOR SERVICE

. . . The Advisory Commission recommends general state legislative authority for interlocal contracts. Under such authorizing statutes school districts, if they so decided, could join together to provide certain costly or very specialized educational services. In some places, vocational-educational offerings, junior college training, programs for the home-bound child and for the mentally retarded or the physically handicapped, and inservice teacher training fall in the categories of services that can best be made available through interlocal agreement.

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POVERTY AND COMMUNITY PROGRAM COORDINATION

To stay the cumulative effects of poverty on the nation's youth and to provide that equality of education needed for opportunity, for motivation, and for direction will take a re-evaluation of existing programs—a re-evaluation to determine why these programs have not broken the transmission of poverty from one generation to the next in the past 25 years. Programs will have to be recast and their administration altered to focus on upgrading, elevating, motivating, and giving concrete evidence of the opportunity for equality that education and training promise. It will take more than these steps, however. It will take a concentration of community authority for target setting, planning, budget determination, and program review. Insistence on separateness of education, or of public assistance, or of juvenile courts, in this setting cannot but weaken the attack and waste the resources devoted to it. . . .

Fiscal Capacity and Tax Effort

One of the studies of the Advisory Commission concerned two experimental measures of state-local fiscal capacity.[1] *This study developed a composite index based on income sources of state and local tax payments, and an index based on the estimated yield of a representative tax system. These two measures varied from close agreement in some states to considerable differences in other states.*

This study also derived indexes of tax effort from percents of fiscal capacity utilized by state and local tax collections.

The CEF Report of September 1963 (6:13) summarized the findings of this study as follows:

. . . When related to personal income, tax effort indexes in 30 states show average or above-average effort. When related to the estimated yield of a representative tax system, only 21 states were making an average or above-average effort. Ten Southeastern states were among the 12 states with the lowest per-capita income. The ability of these states to raise taxes is *low* no matter which measure of capacity is used.

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[1] Advisory Commission on Intergovernmental Relations. *Measures of State and Local Fiscal Capacity and Tax Effort.* A Staff Report. Washington, D.C.: the Commission, October 1962.

The authors caution that high or low tax effort as compared to the national average cannot be automatically interpreted because of

- The great variation in need within the states for public services
- Varying stages of economic development among the states
- Differences in population density and age composition
- Different application of user charges and reliance on borrowed funds.

Furthermore, it is cautioned that a tax effort index is not the same as a tax severity index—two states making the same effort relative to their own capacity may reflect quite different tax burdens depending on the dollar average of per-capita income and the distribution of income around that average. The tax effort indexes in this study do not reflect the relative severity of taxes on families or business firms.

For data for individual states resulting from this study consult the CEF Report cited above, pages 13 to 17, or original study of the Advisory Commission on Intergovernmental Relations.

A National Survey of State-Local School Finance

The following excerpts are from a nationwide study by Eugene P. McLoone and Forrest W. Harrison (7:38-46) which reported certain statistical findings and their implications.

HISTORICAL BACKGROUND

Since the National Survey of School Finance[1] in 1933, the U.S. Office of Education has continued on a decennial basis, for 1939-40,[2] 1949-50,[3] and 1959-60,[4] the collection of data necessary to calculate expenditures per classroom unit. Statistics reported are merely steps, but necessary ones, in developing comparisons of expenditures per classroom unit among school districts and states.

That expenditures per classroom unit provide the best statistic for comparing expenditures among school districts has been almost universally accepted by personnel in school finance since that determination by the National Survey of School Finance. The classroom unit takes into account variations in costs beyond the control of the local school board. Only current expenditures applicable to the instructional program are considered; that is, transportation expenditures are subtracted from the usual statistic of total current expenditures.

Among the variations in costs considered in calculating a classroom unit are those due to differences in size of schools, the higher cost of secondary than elementary education, and the additional teachers required in sparsely-settled areas because of fewer pupils per teacher. The classroom unit concept uses the prevailing practice in the average number of pupils per teacher to allow for: a teacher for fewer pupils in small school districts with sparsely-settled populations than in large school systems, and a teacher for fewer pupils in high schools than in elementary schools.[5]

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[1] Mort, Paul R. *State Support for Public Education.* U.S. Department of the Interior, Office of Education, National Survey of School Finance, Washington, D.C.: The American Council on Education, 1933. 496 p.

[2] Norton, John K., and Lawler, Eugene S. *An Inventory of Public School Expenditures in the United States.* A Report of the Cooperative Study of Public School Expenditures, Vol. I and Vol. II. Washington, D.C.: The American Council on Education, 1944. 409 p.

[3] Hutchins, Clayton D., and Munse, Albert R. *Expenditures for Education at the Midcentury.* U.S. Department of Health, Education, and Welfare, Office of Education. Miscellaneous No. 18. Washington, D.C.: Government Printing Office, 1953. 136 p.

[4] Findings of the data for 1959-60 gathered by the authors of this paper will be available in a publication of the U.S. Office of Education similar to *Expenditures for Education at the Midcentury.*

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Early in the design of the study of expenditures per classroom unit for 1959-60, it was decided to include other variations of local school systems for analysis. Some of our thinking in this regard was presented briefly in a *School Life* article.[7] By examining the spending of school districts, we hoped to discover various relationships—whether high expenditure and low expenditure districts differ significantly in spending patterns and whether school districts with high average salary of teachers spend funds differently from school systems with lower salaries.

For this analysis, three decision variables identified by the Educational Policies Commission[8] were used: the pupil-teacher ratio, the average salary of teachers, and the portion of the budget devoted to items other than salaries of teachers. Relationships among these three variables were investigated. Before undertaking discussion of these findings and their implications, let us briefly present some unique features of these studies.

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For the first time in the series on expenditures per classroom unit, a sample of the school districts rather than the universe was used. For the first time for a sample study of elementary and secondary schools, the Office of Education established a universe listing from which the sample was selected.[10]

Sampling was not done for point estimation, that is, for estimating the mean of a distribution or for a universe total, but for the estimation of points along a distribution. Sampling for points along a distribution has seldom been done, and the studies from which we are reporting data represent the pioneering attempt in education. Finally, the data were planned for machine processing of camera-ready tables and charts.

What did we learn in regard to these unique aspects of the study? First, we learned that not everyone uses the handbook on *Financial Accounting for Local and State School Systems* and that not all use it with equal effectiveness. Few states have figures for both average daily attendance and average daily membership. All have one of these statistics on pupils. State data sources are mainly tied to state-aid procedures and other legal requirements.

Secondly, we have proved by comparing the *Biennial Survey of Education* universe totals with our universe estimates that not only is sampling for expenditures by minor items of the budget possible, but, also, in the vast majority of cases, separation of expenditures is done in accordance with the handbook, the notable exception being expenditures for school lunches. We don't mind if people are skeptical about this statement because we would hardly have believed anyone who made it. We will be happy to show anyone who cares to visit the Office detailed evidence of this, by state and by budget category.

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[5] Mort, *op. cit.* See p. 119-23 for the definition of classroom units and especially Supplement 3, page 429, for the use of least square lines in determination of classroom units.

[7] Harrison, Forrest W., and McLoone, Eugene P. "Educational Expenditures: New Studies in the Making." *School Life*, 46: 21-23; October 1963.

[8] The Educational Policies Commission of the National Education Association and The American Association of School Administrators. *An Essay on Quality in Public Education.* Washington, D.C.: the Association, 1959. 31 p.

[10] U.S. Department of Commerce, Bureau of the Census. *Public School Systems in 1960.* State and Local Government Special Studies, G-SS, No. 44, Washington, D.C.: the Bureau, 1960. 31 p.

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FINDINGS AND IMPLICATIONS

What are the implications of our analysis of data on expenditures by local schools and sources of funds for financing the local schools?

Our observations can be placed in three categories: those dealing with expenditure decisions, those dealing with equalization of school funds among school districts or among pupils, and those dealing with the efficient use of school dollars.

THREE DECISION VARIABLES

First, consider the average number of pupils per teacher, or the pupil-teacher ratio, one of the three decision variables identified by the Educational Policies Commission. . . .

Of the 34 states in which we examined the pupil-teacher ratio in the state-aid program, only 14 hold out a pupil-teacher ratio as a standard towards which local school systems might strive. . . . This would indicate that generally speaking, state-aid allowances for classroom units are less adequate than actual staffing by local school officials.

Secondly, consider the average salary of teachers, another of the decision variables of the Educational Policies Commission in relationship both to exogenous and endogenous influences. Salaries of teachers are strongly influenced by the salaries paid to other groups in the state or community. . . .

This is strong presumptive evidence that teachers' salaries are exogenously determined, that is, that factors in the economy of the community generally determine the salary paid.

Higher salaries of teachers tend to be associated with a larger average number of pupils per teacher as the enrollment size of the school system increases. However, within an enrollment size category, school systems which pay higher salaries have varying numbers of pupils per teacher. Some school systems with high salaries have more pupils per teacher than the average for the size category; others, less. There is no discernible trend within an enrollment-size category.

Thirdly, consider the remaining decision variables of the Educational Policies Commission, the percentage of total school funds spent for other than salaries of teachers. In general, the higher the average salary of teachers, the greater the percentage of total school funds spent on items other than salaries of teachers. In other words, school districts which spent large sums for salaries of teachers had large nonsalary expenditures. The exception to this general tendency among school systems within a state can be found in systems of less than 300 pupils. These school systems generally seemed to spend money on either salaries of teachers or other budget items but not on both.

Fourth, the relationships of the three decision variables to each other were considered. Balanced expenditure school districts were examined, that is, those with approximately the same rank among school districts on average professional salary, on average salary of teachers, on average number of pupils per teacher, and on average number of professional staff members per 1,000 pupils.

Ten-percent intervals of school districts were selected, that is, those between the 80th and 90th percentiles, the 45th and 55th percentiles, and the 20th and 30th percentiles. Comparisons of school systems in these intervals yielded the same approximate rank in less than 5 percent of the school systems in the country, in the state, or in an enrollment-size group.

It seems that the decisions of local school boards on the pupil-teacher ratio and the salary of teachers are relatively independent. They are not completely independent because, as indicated above, when one moves to the higher enrollment categories, both the average salary of teachers and the average number of pupils per teacher tend to increase. The percentage of total school funds spent for items other than salaries of teachers (as is true of salaries) seems closely related to the economic resources of the community. Thus, these decisions do seem highly dependent on community factors and are related to one another.

Fifth, school systems with high current expenditures per pupil tend to fall into two discernible categories: those with a high number of professional staff members per 1,000 pupils and those with high average professional salaries. In a few school systems, high expenditures cannot be attributed to either of these two factors. This statement remains true even when small school systems, below 600 enrollment, or school systems with high transportation expenditures are eliminated from consideration.

Local community factors and decisions of local school boards are more important than state-aid funds and regulations in determining spending patterns of schools. The percentage of funds from the state is not generally associated with average professional salary, average salary of teachers, average number of pupils per teacher.

EQUALIZATION OF SCHOOL EXPENDITURES [13]

A major purpose of state aid to local systems is the raising of the expenditure level in school systems with meager resources of income or wealth. Studies of expenditures per classroom unit have provided one means of examining the degree to which school expenditures are equally distributed among pupils and among school systems within a state.

On a nationwide basis, variation in expenditures per classroom unit is directly related to the amount of local support; the higher the expenditure per classroom unit, the higher the percentage of funds from local sources. The national profile portrays at every expenditure level the same amount from state and federal sources, approximately $3,000 per classroom unit. Similar results are true for almost every state.

The foundation concept of raising local school districts to a minimum acceptable level of expenditures by state grants has proven effective. State profiles indicate that school systems with low expenditures per classroom unit receive proportionately more funds from the state than higher expenditure school systems. The raising of school systems below the state median (average) expenditure level has been effective.

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[13] The data underlying the statements made in this section will be available in a publication by the U.S. Office of Education similar to *Expenditures for Education at the Midcentury.*

In raising low expenditure classroom units to the national median, similar progress has been made. In 1959-60, approximately 12½ percent of total current expenditures, less transportation, was required to raise low expenditure classroom units to the national median. Ten years earlier, in 1949-50, 15 per cent was required and in 1939-40, 17 percent.

. . . . .

In all three years for which studies of expenditures per classroom unit have been made for the entire nation, the six lowest states have always been the same. These are: Alabama, Arkansas, Georgia, Kentucky, Mississippi, and South Carolina.

It is also true that in all of the studies there are some classroom units in almost every state which are among the lowest 25 percent in the nation. In 1959-60, this is true for all states except eight: Alaska, Louisiana, Maryland, Nevada, New Jersey, New Mexico, Rhode Island, and Utah.

Another way of looking at the degree of inequality in expenditures per pupil in public elementary and secondary schools is to calculate a coefficient of inequality.[14] This is a standard technique for comparing distributions of income among families and individuals. This method also indicates improvement in the degree to which educational expenditures are being equalized. The coefficient of inequality in 1939-40 was .29; in 1949-50, .20; and in 1959-60, .18. The degree of inequality of educational expenditures is approximately one-half the inequality in distribution of income.

More progress toward equality was made in the 1940's than in the 1950's. Similar coefficients for each of the states indicate considerable progress in many states toward equalizing school expenditures. In both 1939-40 and 1949-50, there were some states which had coefficients of inequality greater than the national coefficient. This was not true in 1959-60.

The degree of progress achieved by state foundation programs in raising low expenditure level classroom units to the state median has been good. The slowing down of this progress during the 1950's can be attributed, among other causes, to: the increasing reliance of local school districts on the property tax for school support; the failure of state grants to reflect adequately local staffing practice in the distribution formulas; the increased use of percentage of costs as a measure in distribution of state funds; and the increasing percentage of total school-age population in suburbs and in central cities compared with rural areas.

The inevitable question raised as data are presented about equalization is, "What do you see as the future direction of state-aid programs?" The implications of our data in this regard are: States should examine the measure of need in state-aid programs and determine whether or not they wish to establish a staffing ratio either equal to or better than the average practice in the state in order to hold out a staffing ratio as a goal for local school districts; states should look anew at the possible variation in economic conditions affecting the price level of education in communities, particularly whether or not salaries of teachers are exogenously determined by community income;[15] and spending patterns may indicate that some school systems are unable to exercise effective local control.

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[14] This statistic is generally used for comparing inequality of income. To the authors' knowledge, this is the first application to educational expenditures. The application of this coefficient to income distributions and the method of calculation may be seen in: Menderhauden, Horst. *Changes in Income Distribution During the Great Depression*. Studies in Income and Wealth, Vol. VII. New York: National Bureau of Economic Research, 1946, Appendix C; and James Morgan. "The Anatomy of Income Distribution." *Review of Economics and Statistics* 44: 281, August 1962.

There is a need to study the circumstances in which state operation of certain school systems or a program of state recruitment of personnel or measures of state support other than dollar programs may be desirable. . . .

. . . The remarkable finding that state funds seem to be distributed on a flat-grant basis per classroom indicates that for the sake of simplicity, states might well study a move toward flat-grant distributions in place of their present complicated and cumbersome equalization distribution.

In a large measure, this proposal rests on the presumptive evidence that salaries of teachers vary with the income of the community and that the variation in expenditures is due to variation in income or wealth of the school district to a greater degree than to variation in effort. If the above conditions are true, and our data do seem to indicate they are, then a flat grant would achieve as much, if not more, equalization than that which appears in our data for 1959-60.

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[15] There is a need for studies similar to: Harry, David P. *Cost of Living of Teachers in the State of New York*. Contributions to Education, No. 320. New York: Bureau of Publications, Teachers College, Columbia University, 1928. 184 p.

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XI. Public Relations and School Finance

In a democratic society, general public understanding is essential if public education is to be adequately financed. This is especially so in a decentralized system of education in which a half or more of the local revenue is allocated for public schools. The Committee on Educational Finance has frequently taken account of this situation.

Educational Trends and Communication Media and Techniques

Austin J. McCaffrey (1:136-39) identified certain educational trends and indicated their implications for communication techniques.

GETTING THE MESSAGE ACROSS

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Over a considerable period of time I have worked on and observed the budget process. This process—whether it is in a textbook company, a bank, or a local or state school system—involves the gathering of an increasing amount of data placed in neat tables and accompanied by pages of charts. Attempts are made to show comparisons of expenditures with other years, unit costs, justification in relation to what other towns and states are doing, and the like. Usually the presentation is accurate and authoritative and almost always dull.

A finance officer is often viewed by his associates as a penny pincher and by the public as an extravagant spender. Fortunately there are actually few finance officers who view their role any longer as that of an accountant. For it is here, probably more than in any other position in the school organization, that one needs to be familiar with all aspects of education—the goals, the curriculum, instructional materials, teaching and nonteaching personnel, the school plant, and auxiliary services. But beyond this one needs to know the trends in education and the possibilities of the communication network. . . .

EDUCATIONAL TRENDS AND ADVANCES

Looking first at educational trends, one is impressed by the latest population predictions, which indicate that by 1970 there will be approximately 210 million Americans, with the largest increase in the "under 18" and "over 65" age groups. Sixty million of the 210 million will be in school—an increase of 12 million over today's 48 million. A breakdown of the 60 million shows that 38 million will be in the elementary grades (1-8), 15 million in the secondary schools (9-12), and nearly 7 million in college. The distribution will be uneven, with the West experiencing the greatest gain. Our large cities will grow larger. Suburbs will expand. Farm population will continue to decline. . . .

The most significant educational advances will be made in six principal areas:

1. Teachers will have five years of training with considerably more general education and more selective teacher education.

2. Automation and the nation's manpower needs will shift the type of training now offered in vocational and business education.

3. A long-needed overhaul in the teaching of English and social studies will develop a design with more emphasis upon rational thinking and problem solving. International education, economics, and government will take on new importance.

4. Modern foreign languages will receive increased emphasis as mathematics and science continue as top priority subjects.

5. Systems of instructional materials using all media—the textbook, the paperback book, the program book, audio-visual aids, electronic devices, radio, and television—will be developed and used in combination to speed up the learning process.

6. The Carnegie units, traditional grade patterns, fixed age entrance requirements will give way to ungraded schools, the multiple track system, advanced placement, and individualized learning.

Although Sidney Tickton of the Fund for the Advancement of Education suggests that a breakthrough in education which "would provide more education and better education at less cost proportionately" is possible, I do not foresee this in the decade ahead. Present educational trends, if they continue, will add up to higher school costs. To the finance education officer they mean a public relations program on a scale heretofore undreamed of.

CHANGES IN THE PUBLIC AND THE MASS MEDIA

It must be evident to all that the decade ahead will be one in which larger numbers of people will be raising their voices in support, and in criticism, of public policy. Two factors are contributing to this mounting public expression: first, the increase in the education of the adult population, which will average more than 12 years by 1970; and second, the return to respectability of the intellectual in American life. It is the intellectual who views his role as that of a prober of public policy. Add to these the moves toward automation and the influence of mass media.

The number of newspapers with national or regional circulation will decline. Local newspapers will come into their own as the metropolitan press concerns itself with national and international news because, important as domestic issues are, world events will continue to dominate our lives. Radio, which was brushed aside with the dramatic arrival of television, is now making a comeback. Sales of car and clock radios and transistors have greatly increased the listening audience. Panels, interviews with the press, educational films, and the popular variety shows make television a most impressive and effective medium.

Magazines of mass circulation have suffered with the advent of television and are not likely to return to their former prominence. However, a wide range of specialized magazines for particular groups are flourishing. Paperback books have had a phenomenal growth, selling over a million copies a day. Organizations—service, social, and civic—with increased membership offer forums for debate, discussion, and promotion of ideas. School finance officers need to examine the media to determine how each should be used both separately and in combination.

Then, too, opinion research continues to throw light upon how people feel and think. As Americans move in larger numbers into the middle class income groups, travel widely abroad, and experience more leisure, they become a much different people than they were even a decade ago. Shifts in the social power structure are bound to take place, requiring new approaches to obtain even the same level of results in civic enterprises.

COMMUNICATION TECHNIQUES

Communicating with people in the decade ahead will require attention to both traditional and new ways of interpreting and selling ideas. It is not what is heard or read which is important. What one understands and remembers is what counts. Business and the professions are reviewing a number of techniques which appear to yield dividends. Some of these include:

1. Conducting public opinion polls to determine attitudes of people on products or services
2. Mailing simple illustrative materials directly to homes
3. Retaining public relations consultants for advice on dealings with the many "publics"
4. Reviewing vocabulary and complex statistical tables in order to simplify messages
5. Providing a continuous flow of information rather than a crash type of program
6. Using a larger number of individuals with a fresh approach rather than the "tired old team"
7. Trying out ideas on a small group before releasing them
8. Preparing publications with complete documentation and summaries for different audiences
9. Using new materials—particularly on goals—to gain budget support
10. Providing open meetings, workshops, a speakers' bureau, and articles in newspapers and magazines
11. Using filmstrips, films, charts, and evaluation sheets
12. Enlisting the help of distinguished literary figures for the purpose of getting acceptance of ideas.

The art of communication is one requiring innovation, imagination, and constant evaluation. Old ways are giving way to new. The finance expert will become an effective spokesman only as he leads the public to an increasing sense of responsibility for education in a changing world. His important leadership role requires that his colleagues provide him with the communication techniques he needs. Even with their active and continuous support throughout the entire process, his task is a demanding one.

C. Maurice Wieting (2:140-43) outlined certain communication techniques found effective in dealing with rural groups.

What . . . are some ways in which you can communicate more effectively with the public?

CLEAR PRESENTATION IN FACE-TO-FACE MEETINGS

First of all, I believe you must make a conscious effort to tell the story of school finance to the public in such a way that they can understand what you are saying. This means that you will need to apply all of the practices that you have learned as educators to this task. You will find that few people are as concerned as you are about school finance. Since increased taxation is an unpleasant thing to contemplate, most people will close their eyes and ears to what you may consider your most effective appeals.

Certainly communication to be effective must be built on the facts. I wish to commend the National Education Association and its related agencies for the factual material they prepare. Last week I was asked to speak before a county school board and a phone call to the Ohio Education Association brought me a stack of materials which proved to be of great value to me. The trouble was that my audience of some 25 school board members was not prepared to absorb all of these facts, even though I thought I presented them in a most entertaining way. Mouths grew long when I insisted that Ohio badly needed a state income tax and that school board members should take the leadership in this campaign. One board member put it bluntly, "Our job is to see that our schools live within their budgets." He ignored the fact that the number of children in his school district will probably double within the next eight years and that the state of Ohio is running perilously close to a deficit which will endanger the whole School Foundation Program unless new tax sources are found.

In my opinion the face-to-face meeting is the most effective means of communication. Some of us deplore the evenings we spend away from home, talking to what is often a small group of people, yet if these talks are well prepared and if ample opportunity is allowed for questioning, I am sure that better understanding will be the result.

DIFFERENT PRINTED MATERIALS

Another way in which we communicate is through the printed word. There is a place for using magazines, booklets, brochures, monographs, and leaflets to tell the story of school finance to whatever people we can reach through the printed word.

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VOLUNTARY, AUTONOMOUS DISCUSSION GROUPS

Let me turn now to another method of communication which we have found to be effective in the Ohio Farm Bureau Federation. For the past 26 years we have carried on an adult education program which brings eight to ten families together in autonomous groups of their own choosing where they spend an evening once a month considering a Discussion Guide prepared by our state office. We now have 1636 of these Advisory Councils with an estimated 25,000 men and women taking part in them. Each group has its own officers, discussion leaders, and secretary. We receive a report of most of these discussions and summarize their conclusions. An article in our magazine reports to our members and others the thinking of farmers.

In the last six years we have had discussions on such topics as "Are Our Schools Good Enough?"; "Better

Schools for Our Children"; "Schools—Our Pressing Problem"; and "How Can We Have a Greater Voice in Our Schools?" Two related discussions were on taxes: "A New Tax Structure—Would It Help Us?" and "How Can We Develop a Fairer System of Taxation?"

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PRESS, RADIO, AND TELEVISION

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. . . every school system should have on its staff a competent public relations and publicity person who knows how newspapers and wire services operate. He then should proceed to service them with stories that are properly written and handled.

Let me say a word about television. Because it is a relatively new method of communication, many educators are failing to make use of it. The truth is that a two-minute appearance on a television program may reach more people with a message favorable to the schools than all of the talks the superintendent could give in a year's time.

There is a tendency today to downgrade the value of radio, but remember there are more radio receivers now in use than ever before. The well-presented radio program still has a large listening audience, and the wise educator will utilize every opportunity to appear on interviews and forums.

Research Bearing on Public Relations

Roland J. Pellegrin (3:130-35) reviewed research on social participation patterns and communication.

Few of us will quarrel with the premise that in a democracy public education should be the public's business. We should, however, distinguish between democratic theories, which place a positive value on widespread activity in public affairs, and the realities of participation in civic matters. In other words, instead of discussing how people should behave, we can examine with profit the actual patterns of behavior with regard to social participation. Doing so should throw light on the communications process. Let us, then, look at participation in educational affairs, focusing attention on these questions:

. . . Social scientists and students of educational administration have conducted considerable research on social participation patterns in a variety of communities during the past few years. . . .

THE FORMS AND EXTENT OF PARTICIPATION

. . . . . .

When we examine the empirical data in research reports, we find that in the most crucial form of participation—that is, activity in decision-making processes—only a small fraction of the population is involved. Studies of community leadership structure have found that the average citizen plays little or no role in policy formulation or other kinds of decision-making.

This fact is true whether control of decision-making lies in the hands of an informal coalition of business, agricultural, and governmental leadership, as found in studies of communities in Oregon,[1] Tennessee,[2] New York,[3] and

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[1] Goldhammer, Keith. "The Roles of School District Officials in Policy-Determination in an Oregon Community." Unpublished Ph.D. dissertation, University of Oregon, 1954.

[2] Pierce, Truman M., *et al. Community Leadership for Public Education.* Englewood Cliffs, N.J.: Prentice-Hall, 1955.

[3] Vidich, Arthur J., and Bensman, Joseph. *Small Town in Mass Society.* Princeton, N.J.: Princeton University Press, 1958.

Wyoming,[4] or whether control is centered in organized interest groups and official governmental and educational agencies, as reported for communities in Connecticut[5] and California.[6] The average citizen reviews some policies in his capacity as voter; he thus reacts favorably or unfavorably to proposals initiated by others.

Various forms of participation have received attention in a number of studies. The form most frequently investigated is voting in school elections. The data reveal interesting patterns. In a study of 1054 school districts in the United States, Carter and Sutthoff studied voter turnout in financial elections. We should note here that financial elections attract the largest voter turnout of all types of elections. They discovered that in three sizes of school districts—large, medium, and small—the mean turnout of voters was 31.1 percent, 33.3 percent, and 37.2 percent, respectively.[7]

In studies of two communities in Oregon, James R. Evans discovered what must set some sort of minimum standards for participation. In one of these communities, he found that 2.35 percent of the 6012 registered voters had voted in all of the last four school elections. In the other community, 3.6 percent had voted at least once over a four-year period. He found 89 fairly consistent voters in an adult population of 2090. It is interesting to note that 63 percent of these 89 were teachers, school administrators, school board members, PTA officials, and their spouses.[8]

Research on other forms of participation may be briefly noted. In a study of four cities, Carter found that the average attendance at school functions was distributed as follows: very often, 15.8 percent of the voters; pretty often, 21.3 percent; sometimes, 20.3 percent; not very often, 23.1 percent; not at all, 18.7 percent. These figures total 99.2 percent. Believe it or not, the remaining .8 percent of the respondents answered, "Don't know." Carter also found that the proportions of voters who attended PTA meetings regularly and had discussions with school personnel were similarly unimpressive.[9]

In studies conducted by the Institute for Community Studies at the University of Oregon, data were collected on two other forms of participation—action on educational issues and discussion of school affairs. The question was asked in one community, "Have you taken an active part in any public school issue during the past two or three years?" Twenty out of 380 respondents said "yes." In two Oregon communities, John M. Foskett found remarkably high proportions of respondents who never discussed school affairs. Discussions were held most frequently within the family, less frequently with friends, very infrequently with teachers, and rarely with school officials. The percentages of respondents who discussed school affairs "not at all" with school officials was 72.2 percent in one community and 81.5 percent in the other.[10]

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[4] Webb, Harold V. *Community Power Structure Related to School Administration.* Laramie: University of Wyoming, 1956.

[5] Dahl, Robert A. *Who Governs?* New Haven, Conn.: Yale University Press, 1961; Nelson W. Polsby, "Three Problems in the Analysis of Community Power," *American Sociological Review*, 24: 796-803; December 1959.

[6] Shock, Donald P. "Patterns in the Decision-Making Process of a School Board." Unpublished Ed.D. dissertation, Stanford University, 1960.

[7] Carter, Richard F., and Sutthoff, John. *Communities and Their Schools.* Stanford, Calif.: Stanford University, 1960. p. 111.

[8] Evans, James R. "Identification, Behavior Patterns, and Characteristics of Consistent Voters in an Oregon First Class School District." Unpublished Ed.D. dissertation, University of Oregon, 1955. p. 31, 167, 185.

[9] Carter, Richard F. *Voters and Their Schools.* Stanford, Calif.: Stanford Institute for Communication Research, 1960. p. 66-67.

CHARACTERISTICS OF PARTICIPANTS—SUPPORTERS AND NONSUPPORTERS

. . . Studies at the University of Oregon of characteristics of active and nonactive participants in school elections discovered the following facts: There is a direct relationship between voting and size of family income; a similar relationship exists with respect to occupation—that is, the higher the level of occupational status, the more frequently family members vote; the higher the educational level, the more frequently people vote; home owners vote over twice as frequently as renters; and, in general, larger proportions of long-term than of short-term community residents vote.[11] The crucial factors in participation are education, income, and occupational status.

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FACTORS UNDERLYING PARTICIPATION AND NONPARTICIPATION

. . . I should like to call your attention to two sets of social factors involved in differential participation.

First, we might think of the characteristics of participants and nonparticipants in educational affairs in relation to the social organization of the community. Let us recall that active participants typically occupy higher positions and have higher educational attainments and more income than nonactive persons. John M. Foskett has called attention to the fact that occupants of different positions in the social structure of the community vary in the numbers and kinds of relationships they have with other people, in the ways others expect them to behave, and in their aspirations and the opportunities to realize them. Thus viewed, one's social participation is a function of his position in the social structure and the roles he plays in consequence of that position.[13]

The second set of social factors is related to the first. Persons who occupy low positions in the social structure have few relationships with community leaders, little opportunity to gain understanding of how the community is organized and how it functions, and scant exposure to the values and aspirations which encourage participation. Researchers have emphasized that under such circumstances the individual tends to see himself as an insignificant link in the complex structure of the modern community.[14] Accompanying this conception is a tendency for low social participation, as well as feelings ranging from apathy to hostility toward community leaders and other initiators of change.

IMPLICATIONS OF PARTICIPATION PATTERNS

At this point let us look briefly at some implications of the participation patterns we have described. As we have seen, active participants in educational affairs are not representative of all segments in the community. Obviously, there is over-representation in educational affairs of the upper occupational, educational, and income levels, and under-representation of lower ones. We shall ignore the implications of this fact for civic participation in a democracy; but let us note the outcome for educational activities. It is now fairly clear that when the public is called upon to express an opinion on an educational issue, those persons who will do so will be mainly the active participants in educational affairs, unless the issue attracts a great deal of attention, as in a hot controversy. This predetermines the outcome, for, as we have seen, most active participants are supporters of educational improvements.

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[10] Foskett, John M. "Differential Discussion of School Affairs," *Phi Delta Kappan*, 37: 311-15, 1956.

[11] Foskett, John M., and Goldhammer, Keith. "Characteristics of Voters and Nonvoters in School Elections." Oregon School Study Council *Bulletin* 3: 2-4; August 1, 1959.

[13] Foskett, John M. "Social Structure and Social Participation," *American Sociological Review* 20: 431-38; August 1955.

[14] Goldhammer, Keith. "Citizen Participation and Criticism of [illegible]." *The American School Board Journal* [illegible] 27, June 1956; Carter, *op. cit.*, p. 11, 162.

There are some very interesting data on this topic. In the study noted previously, Roy Carter and John Sutthoff gathered information on voter turnout in financial elections over a period of 11 years in 1054 school districts. They discovered that in large school districts as well as those of medium and small size, there is a far greater chance for the proposals to be passed when the voter turnout is low than when it is high. When the percentage of voters is less than 30 percent, many more elections succeed than fail; when a moderate turnout of 30 to 60 percent of the voters occurs, more elections fail than succeed; and when the turnout is over 60 percent, the chances of success and failure are equal.[15]

SIGNIFICANCE OF PARTICIPATION PATTERNS FOR THE COMMUNICATIONS PROCESS

Perhaps we can agree that the facts we have examined have some important implications for the communications process. These data, indeed, force us to re-examine some of our traditional assumptions about the possibilities of increasing community support for educational improvements merely by stimulating participation in educational affairs. It is possible that indiscriminate stimulation of participation has the effect of involving the least interested, least knowledgeable, and least sympathetic community residents in the decision-making processes.[16]

As Hollis Moore has observed,[17] our customary forms of communication have failed to produce the results we hoped they would. Investigations reveal that much communication from the school to the public reaches that segment of the population that is already convinced—the active social participants. It seems clear that the values and attitudes of people have a far greater effect on their reactions to communications than does the content of these communications.

We conclude, therefore, with a plea for more attention to the fundamental facts and principles pertaining to community organization. It is difficult for one who examines the literature on participation in educational affairs to escape the conclusion that a large segment of the population has little awareness of or concern for the significance or the potentialities of the educational enterprise, either for the society as a whole or for their own children. Given this situation, there exists a real challenge to our ingenuity for devising new approaches to communicating with the public.

As we have seen, there is a serious lack of reciprocal and direct communi-

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[15] Carter and Sutthof, *op. cit.*, p. 11, 108-30.

[16] Foskett and Goldhammer, *op. cit.*, p. 6-7.

[17] Moore, Hollis A., Jr. *Studies in School Administration*. National Education Association, American Association of School Administrators, Washington, D.C.: the Association, 1957. p. 117.

cation between educators and people from certain segments of the community. Establishing these lines of communication will be a difficult task, for the problem involves not only a selling job, but a fundamental change in attitudes, perspectives, and values that are deeply entrenched. It is likely, however, that opportunities for gaining support are greatest if we turn our attention less to the short-range problems of the moment, and more toward the cultivation of appreciation among all population segments of the crucial role of education in our society.

Community Structure and Attitudes Toward School Support

Warner Bloomberg, Jr. (4:97-98, 100-101, 103-108) based his conclusions concerning "Community Power Structure, Attitudes and School Tax Effort" largely on a comparative study of four suburban school districts plus certain intuitive generalizations.

. . . The argument to be presented is relatively simple because I have followed my intuition beyond the complexities and obscurities of the data, . . .

The argument rests upon a tripod of broad generalizations: First, present differences between communities in power structure generally have little to do with variations in the level of tax support provided by local communities for their schools. Second, that level of support is importantly affected by community attitudes. Third—and the apparent paradox is only apparent—changes in power structure should be an important part of strategy to strengthen and sustain higher levels of local tax support for public education. This last point will lead into some specific though speculative recommendations for action.

. . . hopes of accounting for most of the variation in local tax effort by means of a small number of determining factors or conditions have not been realized. In addition, over-all correlations may disguise differences in the effects of specific variables from state to state or from one type of district to another.[2]

COMMUNITY ATTITUDES AND TAX EFFORT

It is in the area of attitudes and values that community differences appear which provide some explanation, albeit tentative and incomplete, for the varying levels of local tax effort in the four districts. Each of the individuals interviewed—school decision makers, other local leaders, and the random sample of the general public—was asked to evaluate 14 school functions and activities and 14 town and village functions and activities in terms of how important they were without regard for any immediate situation; whether enough, not enough, or too much was presently being done with respect to each; and if the individual would be willing at that time, considering his actual family budget, to pay more himself to support any of these functions. The most favorable attitudinal pattern was assumed to be one in which an individual rated many functions as important, saw the unmet needs of the district, and expressed willingness to support the meeting of those needs with higher taxes.

Factor analysis indicated that the evaluations respondents made with respect to each of the 14 items could be thought of as reflecting a much simpler set of underlying orientations. For example, they tended to assign greatest importance to activities and functions associated most directly with teaching the children—providing good teachers, curriculum, and administration. Less importance was attached to auxiliary services to aid teaching—psychological testing and counseling, libraries, health services, special classes of various types. Finally, there was a downgrading, often extensive, of functions perceived as not really related to teaching the children—recreational facilities, extracurricular activities, community use, buses and cafeterias, adult education, even buildings. With respect to taxes the respondents seemed to be thinking in terms of four main categories: providing for basic school functions (teachers, buildings, administration) and modernizing the educational system (special classes, curriculum development, and psychological testing and counseling) were categories more likely to elicit favorable responses from the minority willing to pay more taxes than either maintaining and expanding auxiliary intraschool services or developing services to the community. Indeed, the latter category, represented by adult education, community use, extracurricular activities, was a focal point for tax resistance.

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[2] See, for example: Peterson, Leroy J.: Rossmiller, Richard A.; North, Stewart D.; and Wakefield, Howard E. *Economic Impact of State Support Models on Educational Finance*. Madison: School of Education, University of Wisconsin, 1963 (mimeo). pp. 105-23, 181-82, 2[illegible]5, and Miner, Jerry. *Social and Economic Factors in Spending for Public Education*. Syracuse, N.Y.: Syracuse University Press, 1963. pp. 48, 93-138.

. . . . .

. . . one may attempt to assemble from assorted research into the processes of the local polity enough bits and pieces to reconstruct the whole, after the fashion of the paleontologist conjuring up a dinosaur from a few bones, some fossil impressions, and a good deal of theory about the nature of such beasts. What follows is that sort of effort, drawing upon a wide variety of books, monographs, and other publications, in addition to the study of the four districts already described.

TAXES AND VOTER HOSTILITY

The concept of "relative deprivation" has proved very useful in the analysis of the emotional and attitudinal behavior of groups, sometimes helping to account for patterns of judgment and action which contradict our usual expectations . . . . it is one thing if voters see rising school costs as part of a broad, national pattern, inevitable as long as improving education is one of our high priorities; it is quite another if voters compare their district with others nearby and conclude that its costs are "way up." There is good evidence that such comparisons have helped defeat school budgets in districts not objectively high in tax effort.

. . . . .

. . . The extent to which a district's citizens have favorable attitudes toward school support is therefore not by itself a good predictor of the effective manifestation of hostility to tax increases, except in extreme cases. Much depends upon how those values and attitudes are distributed in the population, upon how the district compares with others within the perceptual horizons of the various types of voters and the accuracy of their beliefs in this regard, and upon the emergence of an organized opposition to the school administration and its partisans.

ORGANIZED HOSTILITY AND COMMUNITY POWER STRUCTURE

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. . . the most extensive and implacable opposition seldom arises among the established community leaders, nor does it develop through the more prestigeful and reputedly powerful noneducational organizations and associations. Rather, it often seems to spring up among groups of what David Riesman has called the "moral indignants" who usually demand one or more of the following: that alleged frills be abolished, that taxes be cut that greater vigilance be maintained against subversive doctrines, and that Johnny be taught to read! . . .

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In brief, the educational sector of the local community power structure usually reflects in its numbers, roles, and relationships with other sectors arrangements antedating the present period of rapidly changing educational theory and practice, rising school population, and increasing costs. The virtues of prevailing patterns of educational decision-making may once have outweighed their vices, but the balance of gain and loss appears to have shifted critically since World War II. Such variations as now obtain in power structure from district to district usually seem to be little more than vernier adjustments on a system which can function well enough, given a supportive attitudinal milieu, but which often cannot cope with the surfacing of latent hostility or bring about where it is needed a general increase in understanding and acceptance of the needs and costs of a modern education.

NEEDED EXPERIMENTS IN SCHOOL DECISION-MAKING

School authorities today must plan and facilitate an educational revolution while meeting the inevitable routine problems of running a large-scale, complex organization. Perhaps it is asking too much to request that they also experiment with their own power and prerogatives. But in many districts this may be necessary if chances for financial support of all the rest of the undertakings are to be maximized. Certainly the new concepts of educational practice become effective only when embodied in the tangible reality of more and more effective teachers, improved physical facilities, often costly special equipment, and so on.

. . . several generalizations relevant to strategy can be made. First, though there are many correlations between opinions given to interviewers and the social characteristics of the respondents, the more refined studies make it evident that a community's values and attitudes are not simply a function of its social structure; there is plenty of room for change. Second, except for extremists there are a few well-defined publics in most communities, that is, few sizable, stable aggregates or groups of individuals having a high degree of consensus about what is important, what needs to be done, and how resources should be allocated. Such publics apparently emerge during the process of issue development and resolution and fragment or fade away subsequently. Third, specific opinions tend to be organized around underlying attitudinal orientations, but this is only a tendency; how most individuals vote, for example, depends in part upon the perceived judgments of others who are both visible (or at least audible) and of personal significance—one's opinion leaders and reference individuals and groups.

THE NEED FOR INFORMATION

School leaders and partisans who seek to improve the attitudinal milieu of their districts therefore must first know in some detail what the prevailing value patterns actually are. . . . the starting point for changing a community's attitudinal patterns is detailed, accurate information about them, and programs to bring about change can be evaluated effectively only if the relevant data are continuously updated.

Tools for this task, imperfect though they may be, are available. It should be possible for the school districts in an area, or even a whole state, to work collaboratively with researchers in universities and state departments of education to design the means of such research. . . .

THE NEED FOR PARTICIPATION

. . . To be successful, efforts at opinion formation and attitude change require interpersonal reinforcement, and that means a large cadre of opinion leaders scattered among the citizenry, individuals who are knowledgeable about the schools, committed to their support, and involved enough to attempt to sway others.

THE NEED FOR COLLABORATION

Another generally unused potential in the effort to generate more community support for rising school costs are leaders and influentials in other institutional sectors. . . .

Such collaboration might take place informally as is the case in districts where parochial and public school officials cooperate in planning the sites and sizes of their respective physical plant. The broadly representative citizens advisory committees for community planning and development offer a more formal possibility, assuming the usual efforts to render them ineffectual were supplanted by plans and programs to make them meaningful components in community decision-making.

CONSEQUENCES FOR POWER STRUCTURE

Adoption of such proposals would, of course, bring possible extensive changes into the structure of local educational decision-making. It would become less autonomous and more democratic. . . .

Community Pressures and the School Board

Harold Webb (5:110-13, 117) dealt with community pressures on boards of education which affect the financing of education.

One of the big problems we have to overcome in education today is a lack of communication—lack of communication among ourselves, and among board members, administrators, professional educators at the college level, and the general public. Unfortunately, we in education all too often find ourselves walking around in big circles talking to ourselves.

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. . . the school board's reaction to the many pressures exerted upon it by the community ultimately depends upon how that school board views its responsibilities. If the school board simply is a reflector of public opinion, it must respond to every pressure exerted by the community. On the other hand, if it is expected to exert leadership as well, it will act in another manner. It will sift and weigh facts, compare various ideas and pressures, and ultimately make decisions based upon what it feels to be the wisest course of action and not necessarily always consistent with the pressures which may be exerted upon it by the community.

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If a school board is, on the one hand, to supply local lay representation of the people as the agent of the state, and is, on the other hand, to do its part to move the schools forward as rapidly as possible, school board members must combine the virtues of listening and leadership. These two qualities must be further refined, for the school board member must *actively* listen and *courageously* lead.

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In no other area in the public budget must a governing body secure the approval of the electorate before being able to adopt its operating budget. In some states, school boards must submit their proposed expenditures to the public for their approval. A disgruntled public, chafing from the ever-rising costs of living, unable to affect to any large degree costs of other governmental agencies, takes out its resentment on the schools by sending a steady stream of school budgets to defeat.

It is a sad commentary, but in many communities where this problem has persisted, the board of education has discovered that the only way to get a school budget approved by the voters is to cut the school program to the bare bone. In communities which have experienced a whole string of budget defeats, school boards have been forced to hold back teachers' salary raises, to cut out athletic programs, and to eliminate other extracurricular activities such as band, activity clubs, and field trips, to drop school lunch programs and to stop free school transportation. Then, and only then, has the public been jolted into waking up and realizing that the costs of a good school program have been increasing along with all the other components in our cost-of-living index.

For three reasons—increased enrollment, increased cost of living, and improved services—the cost of education will continue to climb in spite of the many economy measures that have been instituted by boards of education and the many more which are currently being studied.

. . . In our affluent society, with the highest standard of living the world has ever known, the problem is not one of having insufficient funds; the problem is convincing the public that education is more important than the many luxuries with which we prefer to indulge ourselves. School boards, administrators, and teachers have a responsibility for creating a program of public information to help the public and local officials understand the financial needs of the schools. When such understanding has been achieved, the school boards will find that unwarranted pressure from taxpayers to cut school costs is greatly reduced.

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If this nation were to be deprived of citizen-interest in education we would be the worse for it. Pressures on schools exist because people believe that schools are important and that education does make a difference.

A Rationale for Dealing with the Public

John S. Cartwright (6:90-96) offered the following as a rationale for presenting local school needs to the public.

There is no one best way to present local school needs to all communities for all time, nor indeed, for any community for any length of time. Most administrators I know find that custom-made plans tailored for a given situation work best. But even these are disappointments occasionally, and the improvised ones often prove more effective.

. . . . . .

DEVELOP A RATIONALE

. . . Here are some questions to probe: . . . Does the community regard its schools as an institutional babysitter as it teaches its children a bit of knowledge and a tiny bundle of skills? Or does it expect its schools to take children where they are and develop them as far as they can or will, go? Does the school sort out the learning problems of each child, so far as it can, and help him to solve them, or does it sort out the children with problems and reject them? Does the school expect children to conform to a single curriculum or does it treat pupils as individuals who come in different educational sizes and try to build a curriculum that will help each? These are but a few of the questions one might ask in exploring a rationale.

COMMUNITY EXPECTATION VITAL

It makes a whale of a difference what we expect of schools. Research has shown that two of the most powerful factors in producing quality are what a community expects of its schools and what it spends to finance them. If it spends little and expects little, usually little it will get. If it expects much and spends much, much it usually receives. . . .

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HOW TO PRESENT LOCAL SCHOOL NEEDS TO THE PUBLIC

A school administration has many publics: the professional staff and nonprofessional staff, the parents of children in the public schools, the business and industrial community, the pupils, persons who have no children or whose children attend nonpublic schools, the new media.

Let's say something about presenting the needs to each.

SCHOOL EMPLOYEES PUBLIC

All publics are important, perhaps none more than another. The administrator, however, who fails to involve his staff or to keep it informed about the school's unmet needs has on "public relation blinders". . . .

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PTA AND PARENT PUBLIC

Parents are major stockholders in the schools. What the schools do is more important to them than to any other group. Nothing means more to them than their children. They want them to get the full benefit of the school program. Their hearts and their minds are with their youngsters. In fact, what the child thinks of his teacher, the parents usually think of the school. There ought to be no shoddy here, only the genuine, because when parents believe the schools are trying their level best to serve children, they go all out for the schools.

In presenting needs to parents, particularly PTA parents, I have found them to be more interested in the educational program than the statistics; more interested in the results than the cost; more interested in the preparation of their child for tomorrow than in the dissenters of today. They know that the importance of education is being judged on a larger stage than ever before.

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CHILDREN AS PUBLIC

Occasionally school children are an effective vehicle through which to make school needs known. They have a built-in access to their parents' hearts. Used with circumspection, an approach through children can be quite fruitful, particularly in bond campaigns and special curricular areas.

THE BUSINESS AND INDUSTRIAL COMMUNITY PUBLIC

. . . Education is big business to them in the better sense of that term. They like to know how the school operates, why it does things as it does. The image of the chief school administrator is important to most of these men. Often he symbolizes the school program, perhaps because they see him oftener than they see other school folks. Faith and trust in him begets faith and confidence in the schools.

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One way to keep businessmen "off your back" is to involve them in the affairs of the school. An active education committee of the Chamber of Commerce, meeting about six times a year at a luncheon meeting, offers a rostrum for the school administrator to present his concerns to the business community before these concerns become crises. Here school needs are made known. This symbiotic partnership is one of the most effective ways an administrator can reach this segment of the community.

Joint planning of programs for Business Education Day, Education Business Day, Career Day, and the like, provides the mutual reason for meeting, making it unnecessary for the administrator to ask for too many special meetings.

POWER STRUCTURE PUBLIC

An administrator often finds that the power structure of the community does not reside entirely in the active members of the Chamber of Commerce. Ordinarily, these men are not members of service clubs now. Meeting with such persons at a private club, at golf, or at special community occasions provides an opportunity to recruit their interest or their recommendations. A casual luncheon meeting in the company of men in this echelon of community affairs, at which education needs and concerns are discussed, can greatly enhance the possibility of school needs' being met, because this group wields power out of proportion to its numbers. In the presentation of school needs, the administrator would be inordinately imprudent and neglectful to forget them. I have found that carefully prepared comparative cost data, college record data, and follow-up studies are well received by members of this group. Appeals to community pride appear to be effective.

OTHER PUBLICS

Other publics as represented by parents of nonpublic school children, persons with no children or near relatives in school, constitute a considerable segment of the population in some areas. To present school needs to them in a favorable light is difficult. Here full press coverage is essential. . . .

PRESS PUBLIC

As important as are all these publics, none is more important than the people of press and radio. Their assignment is not a meeting now and a meeting then type of contact. It is continuous and forever. Fortunate, indeed, is the school administration which has established and maintained good relations with the press and radio. An administrator always should deal off the top but at no place in the public relations effort is there a more critical necessity for open dealing. The basic integrities must clearly permeate and shine through this relationship. . . .

HOW TO PRESENT LOCAL NEEDS TO THE BOARD OF EDUCATION

The Board of Education as a policy maker and caretaker for the public schools has a unique responsibility. . . .

Presenting local school needs to a board depends on how the board perceives needs. In the feverish competition for the board's time, it becomes the obligation of the administrator to see that the total program is considered. High on the priority list should be the recruitment and employment of the best teachers available. . . .

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Any legitimate device which persuades a board of education to invest in good teachers and to provide them the pay, the climate, the equipment, and the support to achieve the task is commendable.

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Indeed the opportunity to present local school needs to the public and to the board of education is limited only by one's imagination and time. There are times when cold facts are practical assets; there are times when one must emotionalize attitudes on the basis of community pride.

The impression deepens, however, that if we are to meet the inescapable challenges of these restless years, we must earnestly try to convince our many publics that "what the wisest and the best parent desires for his child, that should the community desire for all of its children," to the end, expressed in these words from the "Oath of an Athenian Citizen," that we "transmit our community, not only not less but greater, better, and more beautiful than it was transmitted to us."

Long-Range Planning and Public Involvement

Jefferson N. Eastmond (7:42-47) pointed out that adequate financing of education requires clear-cut definition of educational goals, long-range planning of programs, and citizen involvement to achieve the financing of these goals. Excerpts follow.

. . . long-range planning does not mean simply the projection of existing trends with predictions of what will happen if certain assumptions are granted. While these two elements are important, they rest merely on mechanics or techniques and must be seen as only a minor part of planning. Other far more important elements of planning are: (1) the choice of goals or objectives selected for realization, and (2) the devising of means and programs, including co-ordination, essential to achieving the selected goals.

For an education agency to develop and publish a study of projected trends and predictions is one-sided, and fails to recognize the different values involved and the conflicting interests that must be hammered out as public education is improved. It is a mistake for an education agency to launch such a study on its own, since past experience reveals that it results in a kind of partisan approval and gives a very flimsy base for any broad and wholesome public support.

Long-range planning in public school finance on the state level must be viewed as a crucially important, dynamic process. It must be seen as a form of interchange and cooperative effort where competitive values are aired and where a resolution of conflicting interests may be obtained. The goals chosen in the process involve much more than a choice among competitive techniques. Basic value judgments are involved, and the goals finally selected must enlist bipartisan but strong political support for their achievement. Indeed it must be emphasized that in long-range planning the process itself is quite as important as the outcome or published results. . . .

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HOW TO PLAN

If a long-range planning effort is to result in the fruition of the goals seriously selected, then a comprehensive plan of social action must be undertaken. . . . Some specific suggestions adapted from these studies are included in the following paragraphs and represent concrete considerations to be made in conducting a successful long-range planning effort in state school finance.

- Secure competent, experienced leadership. Carrying out the recommended type of long-range planning effort requires a competent director with an able staff. . . .

- Provide for broad participation by prominent citizens. Long-range planning is a dynamic instrument for bringing about educational improvement. To be successful, it must involve a wide spectrum of citizen participants. . . .

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- Bring into the technical committees the most imaginative, creative, and practical ideas. The technical committees provide the gristmill for new concepts and new approaches to school problems. In their deliberations and actions, these committees provide some stimulating educational experiences to all involved. . . .

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- Include in the plans the needed action and timing. The experience of many states will reveal good plans and studies that have had virtually no impact because they neglected to provide the machinery necessary for their realization. . . . Every precaution, therefore, must be taken to see that the planning document does not become simply another study.

Part of the strategy for implementing the long-range planning effort is obviously accomplished by the involvement of large numbers of key people. . . .

- Get widespread dissemination and discussion of the reports. At this stage, the planning effort takes on another phase as a significant instrument in state-wide, school-community relations enhancing public understanding and support. Seeing that the reports of the various technical subcommittees are thoroughly aired as each is produced will require some deliberate effort, time, and finesse in public relations. . . .

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- Continue citizens committees after publication of official report. Upon publication of the planning report it must be clear to all that the planning document would never be looked upon as a fixed, unchangeable blueprint for the next several years. . . .

OUTCOMES OF THIS APPROACH

A number of concrete and useful outcomes will emerge from this dynamic approach to long-range planning. In the first place, the planning document may give a few years of needed grace before the full impact of population trends, technological developments, and social changes have eclipsed public education in a mad scramble to resolve immediate problems. . . .

Secondly, educators and lay citizens alike will find that the planning document provides a kind of coordinated timetable. It will make possible the detailing of needed action at specified times in order to strengthen important segments of public education in a series of carefully thought out time periods.

Third, the planning document will allow every subsequent decision or action taken by the legislature, state board of education, or other policy-forming group to be weighed against the objectives of the long-range plan. . . .

Fourth, as a collateral or concomitant outcome of the planning study, key leadership in the state will begin to recognize that through the long-range planning action, they have begun to see more clearly how the state school system is organized and functions. . . .

Fifth, the planning experience will encourage the use of this type of dynamic planning as a management tool. It can serve as such, however, only if the predictions, basic data, and assumptions are constantly re-examined and revised in the light of educational, social, and economic changes occurring within the state and in the nation at large.

In short, it must be fully recognized that long-range planning in state school finance is a continuing process which involves a broad spectrum of lay and professional people in defining goals for public education and bringing about their satisfactory fulfillment.

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